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**ECONOMIC INTELLIGENCE REPORT**

**PROBLEMS AND TRENDS  
IN THE ECONOMY OF POLAND**



**CIA/RR 59-7**

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FOREWORD

This report reviews the economy of Poland since the return of Gomulka to power in 1956, analyzes the current situation, and offers a summary of achievements accomplished to date and a preview of those planned through 1960. Statistical tables provide extensive background information on specific phases of the economy.

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PROBLEMS AND TRENDS IN THE ECONOMY OF POLAND\*

Summary

Since Gomulka returned to power in Poland in 1956 the economic policy of the country has been freed from certain elements of Marxist dogma and has responded considerably less than before to direct influence from the USSR. This situation, in turn, has resulted in more realistic planning, increased consideration for consumer welfare, and growing concern with efficiency in the allocation of resources. The recent hardening of the political attitude of the regime has not modified in any essential respect the economic policy of Poland.

New domestic policies and large-scale imports financed by foreign credits resulted in a marked improvement during 1956-57 in the availability of most consumer goods and services except housing and also in an easing of the shortage of raw materials. Changes in agricultural policy, together with good weather, considerably increased production and marketings in agriculture. The regime removed the threat of forced collectivization and acquiesced in the dissolution of most existing collective farms.

Solutions could not easily be found to the deep-seated problems in industry which faced Gomulka's regime. The more modest production goals set for 1957 served to regularize the flow of materials and power and in some instances permitted increases in stocks, but progress toward a solution of the underlying imbalance between supplies of raw materials and production of manufactures was small. There was a decline in the production of coal in 1957, although less than had been anticipated, which reflected the shortening of the workweek and the shortsighted policies of investment in the past. Production in the metallurgical and machinery industries continued to rise largely because of increased exports of these products to the Soviet Bloc. The food processing and textile industries, however, could not meet the demands of domestic consumption or foreign trade.

The economic situation in Poland is likely to be strained increasingly during the next few years as a result of a decline in foreign credits available; of growing requirements for investment in most economic sectors; and, possibly, less favorable weather for agriculture than in 1955-57. Compared with the past 4 years, the rate of growth of personal consumption can be expected to decline considerably -- a

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\* The estimates and conclusions in this report represent the best judgment of this Office as of 1 December 1958.

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fact which may cause large groups of the population to become increasingly dissatisfied with the regime.

Expansion of exports sufficient to achieve a balance in foreign transactions of goods and services by 1960 will be extremely difficult. Exports of coal are not expected to increase above the level of 1958, because of limited increases in production and rising demand on the domestic market. Furthermore, domestic demand for consumer goods and construction materials will tend to restrain the growth of exports of these commodities. At the same time, the regime plans to increase investments substantially to support present goals of production and consumption and to meet the needs of export after 1960 when repayments of foreign credits will come due. The recent increase in agricultural production is not expected to be maintained, even with liberal agricultural policies, because it was too dependent on a season of exceptionally good weather. Nevertheless, these policies are expected to continue at least through 1960, and compulsory deliveries of agricultural products may even be eliminated during 1959 and 1960.

Many opportunities exist for improving efficiency in the allocation and management of resources in the nonagricultural sectors of the economy. The Polish government recognizes this and has reduced the scope of direct planning and increased the degree of freedom allowed producers. A general reform of the system of pricing and distribution is planned. These reforms are being introduced too slowly to have a marked effect during 1959-60, and their effects after 1960 cannot be predicted reliably.

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## I. Introduction.

### 1. General.

The necessity immediately facing Gomulka on his return to power in 1956 was that of raising urban living standards in Poland rapidly enough to eliminate for the time being the threat which growing dissatisfaction among the workers posed to political stability. A low level of personal consumption was partly the result of the failure of the regime's agricultural policy to raise production appreciably and to distribute what foodstuffs were available in such a way as to prevent a decline in the food supply for urban areas. The low level was also one of the consequences of several years of bad planning and unbalanced industrial growth, during which time rapid expansion in metallurgy and machine building had been promoted at the expense of coal mining and

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other industries which produce for export, and at the expense of light industry, construction materials for private housing, and the development of inputs for agriculture. This policy also resulted in the growing tendency of manufacturing to outrun supplies of raw materials and power. Even apart from the question of living standards, therefore, the pre-Gomulka pattern of industrial development could not have been maintained.

Some steps had been taken after 1954, during the "new course" (1954 to mid-1956), to meet these growing problems: investments had leveled off, and stocks of consumer goods had been released. Moreover, favorable weather for agriculture prevailed in 1955. These developments arrested the decline in food consumption in urban areas, which had reached its lowest point since the war in 1953, and even led to its recovery for some groups of workers, although not to the levels of 1950. On the other hand, housing conditions continued to worsen for all groups of the population. In general, skilled and semiskilled workers, who had already suffered the greatest decline in living standards relative to prewar conditions, continued to receive the worst treatment in this respect. The regime primarily relied on this segment of urban labor for its political support.

Furthermore, the basic causes of low living standards -- a self-defeating agricultural policy and an unbalanced structure of production -- were not affected by the measures taken during these years, and the shortage of raw materials was aggravated by the new demands of the consumer program on limited resources. In 1956, for example, exports of coal began to decline sharply as a result of a rapid rise in household consumption of fuel added to the continued growth of industrial consumption. The resulting deterioration of the balance of payments of Poland was relieved only temporarily by an improvement in the terms of trade brought about by the Suez crisis.

## 2. Measures Taken by Gomulka and Their Short-Term Effects.

To achieve his immediate goal of increasing personal consumption, Gomulka obtained large foreign credits and greatly liberalized agricultural policy. At the same time, he took some preliminary steps toward redressing the industrial imbalance responsible for the many grievances of workers, for the shortage of raw materials, and for the difficulties of foreign exchange. Pressure to maximize industrial output at all cost was relaxed as plans were set intentionally low. Investments planned for 1957 were pared down, and their allocation was shifted from administration, defense, metallurgy, and machine building to industries producing basic materials for domestic use and for export. Finally, in the hope of eliminating the waste and inefficiency which pervade most branches of economic activity in Poland, Gomulka sanctioned the gradual

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introduction of a "new economic model," in which economic incentives will normally take the place of administrative orders. It was recognized that for profitability to be the criterion in making economic decisions, a new price structure would have to be established.

The most effective internal measure in checking the deterioration of the economic situation in Poland was Gomulka's farm policy. Collectivization was postponed indefinitely, obligatory deliveries were reduced, and prices for the produce of private farmers were raised. These developments had some effect on production and a very great impact on marketings, particularly on marketings of meat and dairy products. The success of the new policy was a major factor in the growth of real wages, especially after the harvest of 1957. Another favorable consequence of the policy was the great increase in private investments in agriculture, especially in farm buildings.

The supply of goods available for final use increased in 1957 by 13.5 percent, and the increase was almost twice as fast as the increase in national income because of a sizable surplus of imports financed by foreign credits granted to Poland. This circumstance made possible the acceleration of an already rising rate of growth in personal consumption and even a moderate increase in investment. Moreover, together with setting conservative industrial targets, imports of materials financed by foreign credits permitted a considerable accumulation of agricultural and industrial stocks by the end of the year. These stocks facilitated regularity in the flow of materials and power -- the lack of which had been an acute problem in 1956. Large stocks are also a prerequisite to reforms in the production and distribution system in connection with the "new economic model."

### 3. Prospects for the Next Few Years.

Continued improvements in living standards and the maintenance of a moderately high rate of economic growth basically depend on the ability of the regime to provide greater quantities of materials for industry, housing, and agriculture from domestic production and imports. The cost of doing this will be considerably greater in the next few years than in 1956 and 1957.

In recent years, industrial production was increased by utilizing more intensively existing capacity or by completing investments initiated earlier; production was stimulated in agriculture by changes in policy and good weather; and, in 1957, all branches of the economy gained from large imports financed by foreign credits. Many of these advantages will not exist in 1959-60. Even to maintain recent rates of growth in industry will require larger investments because, as availabilities of foreign credits decline, exports will have to be increased

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much faster than imports. Weather conditions as favorable to agriculture as those in 1957 cannot be counted on. The rate of improvement in living standards, therefore, will almost certainly be much smaller than in the past few years.

The regime has few opportunities to raise personal consumption, in the short run, by reducing both investments and the rate of industrial growth. Emphasis in the Five Year Plan (1956-60) is already on the modernization and reconstruction of existing facilities. Moreover, a substantial share of these outlays supports consumption, either directly or indirectly. Investments in chemicals, for example, promote the development of synthetic fibers for the textile industry and of artificial fertilizer for agriculture. Investments in the construction materials industry, which are to increase faster than those in any other industry, should provide a rapidly growing supply of materials for repair and for residential construction, although this attempt will not halt the continuing deterioration of housing conditions until after 1960. Investments will be needed in the textile and food-processing industries to overcome bottlenecks in production capacity, caused by many years of neglect. Finally, investments in industries producing for export are required in order to provide foreign exchange for the import of vital materials. Investments in coal mining have been increased greatly both in absolute terms and as a percent of total industrial investments, but this effort probably will not lead to a recovery of exports of coal until later, because of growing domestic requirements for coal and the long time lag between the initiation and completion of new projects. In the metallurgy and machinery industries, investments have been reduced considerably in comparison with those under the Six Year Plan (1950-55) but are concentrated in areas which offer the best opportunities for rapidly expanding exports.

Although a continuation of present agricultural policies is expected, production and marketings probably will increase at a lower rate than in the past 2 years. A major contribution to the improvement in living standards has been the sharp rise in the supply of meat, but to relieve the balance of payments situation, a large part of any further increment to supplies of meat may be exported. In addition, the smallness of expected increases in over-all supplies of consumer goods may itself interfere with the program of increasing incentives for peasants to market their products because the bulk of such increases is likely to be channeled to urban areas where dissatisfaction is greatest.

Large potential savings of labor, capital, and materials eventually may be realized as a result of current and prospective reforms in connection with the "new economic model," but their full effect certainly will not be felt until well after 1960, and there is some doubt as to how drastic a change will be politically acceptable.

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The economic situation in Poland is likely to become increasingly tight in the next few years, and the regime can be expected to seek additional credits from the East and the West.

4. Economic Growth and Allocation of Resources, 1950-60.

Tables 1\* and 2\*\* indicate the evolution of the net material product of Poland, its distribution during 1950-57 (actual) and 1958-60 (plan), and the growth and distribution of investments. Data on the net material product are derived entirely from Polish sources and differ substantially with regard to comprehensiveness and methodology from Western calculations of gross national product or national income. (See footnotes to Table 1.) Major conclusions as to trends and changes in the rate of growth of production and of supplies and in the distribution of the latter, however, are clearly revealed, as follows:

a. The rate of growth of the net material product of Poland, valued at market prices and excluding services, has been exceptionally stable, at slightly more than 7 percent a year since 1950, and is expected to remain about the same during the next 3 years. (If a measure of the net material product more closely approximating valuations of the factor cost is obtained by deducting the turnover tax and other forms of indirect taxes from personal consumption, the rate of growth is raised by about 1 percent during 1950-53 and correspondingly reduced during 1954-57, but the long-run pattern remains unaffected.)

b. The net effect of the international transactions (net foreign investment) of Poland on the national accounts was very small until 1957. The use of foreign credits in 1957, however, accounted for about 40 percent of the total increase in domestic supplies in that year. Net foreign aid is expected to be about 40 percent smaller in 1958 than in 1957 and to have ceased by 1960.

c. During 1950-53, no more than one-third of increments to domestic availabilities were used to increase personal consumption. During 1954-56, personal consumption absorbed all the increments to the national product, lower levels of stock accumulation offsetting slight increases in capital investments and final government purchases of non-consumer goods. During 1957, foreign credits provided the means for increases in personal consumption exceeding the increase in the national product and for what was probably the largest accumulation of stocks of the postwar period. During 1958-60 the plan is to increase the rate of growth of capital investment 2.5 times and to cut in half the rate of growth of personal consumption. The resulting increases of more than 4 percent\*\*\*

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\* Table 1 follows on p. 7.

\*\* Table 2 follows on p. 9.

\*\*\* Text continued on p. 10.

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Table 1

Net Material Product at Market Prices and Indexes of Growth in Poland  
Selected Years, 1950-57, and 1958 and 1960 Plans

	<u>1950 a/</u>	<u>1953 a/</u>	<u>1955 a/</u>	<u>1956 a/</u>	<u>1957 b/</u>	<u>1958 (Plan) c/</u>	<u>1960 (Plan) d/</u>
Billion Zlotys in 1956 Prices							
Net material product <u>e/</u>	<u>167</u>	<u>195</u>	<u>236</u>	<u>255</u>	<u>277</u>	<u>293</u>	<u>344</u>
Personal consumption of goods <u>f/</u>	128	132	171	189	213	224	252
Government purchases of goods <u>g/</u>	8	8	13	13	14	16	17
Net capital investment <u>h/</u>	21	33	36	37	39	42	56
Increase in stocks <u>i/</u>	11	21	16	14	22	17 <u>j/</u>	19
Net foreign investment <u>k/</u>	N.A.	N.A.	-1	+2	-11	-6	0
Indexes (1955 = 100)							
Net material product <u>e/</u>	71	83	100	108	117	124	146
Personal consumption of goods	75 <u>l/</u>	77 <u>l/</u>	100	111	125	131	147
Government purchases of goods	57	64	100	102	108	124	128
Net capital investment	57	91	100	103	109	116 <u>m/</u>	153
Increase in stocks	70	134	100	87	134	106	118

a. 1/. Unless otherwise indicated.  
values are at actual prices for final products.

b. 2/

c. 3/. Unless otherwise indicated.

All

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Table 1

Net Material Product at Market Prices and Indexes of Growth in Poland  
Selected Years, 1950-57, and 1958 and 1960 Plans  
(Continued)

- 
- d. 4/. Because of the distribution of consumption (as between personal consumption and government purchases) differing from that used in the Statistical Yearbook, 1957, the index for personal consumption has been calculated as a residual.
- e. Net material product (national income, Marxist definition) is the sum of incomes originating in all "productive" sectors, calculated as the sum of the differences between the gross value of production in each sector and the cost of materials, including depreciation. Income originating in "nonproductive" occupations (private services, government services, passenger transport, rent, and interest) is not included. Net material product equals net material product (US definition) excluding income originating in "nonproductive" occupations. Totals may not agree with the sum of their rounded components.
- f. Personal consumption of goods includes all expenditures of individuals for consumer goods, the value of the goods obtained as income in kind by the urban population valued at market prices, farm income in kind valued at above-quota delivery prices, and the value of materials contained in private services to consumers.
- g. Government purchases of goods include the value of materials and contracted services used by state organizations (administrative, social-cultural, and military) and by passenger transport. The category also includes the value of goods passing through the state budget but finally consumed by individuals.
- h. Net capital investment equals gross investment in fixed capital (producer's plant and equipment and other construction) plus capital repairs less depreciation.
- i. Increase in stocks covers all levels of inventories and state stockpiles.
- j. Residual.
- k. Net foreign investment is the internal value of the foreign balance on goods and services (exports less imports). Where this balance is positive (exports larger than imports), it is added to the sum of other components of the net material product; where it is negative, it is deducted.
- l. 5/. The difference between this figure and the figure in the official index is due to the method of deflation.
- m. Planned increase in gross capital investment. 6/



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Table 2

Distribution and Growth of Capital Investment in Poland  
by Type of Ownership and by Economic Sector a/  
1951-60

	Distribution (Percent of Total Investment)					Index of Growth (1951-55 Yearly Average = 100)			
	1951-55 <u>b/</u>	1955 <u>b/</u>	1956 <u>b/</u>	1957 <u>c/</u>	1956-60 (Plan) <u>d/</u>	1955	1956	1957	1956-60
Type of ownership									
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	116.2	119.8	125.4	143.3
Socialized investment	95.5	93.2	91.7	88.9	87.1	113.3	114.9	116.7	130.6
Private investment	4.5	6.8	8.3	11.1	12.9	178.8	219.2	315.6	420.2
Economic sector									
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>				
Industry and construction	47.1	44.3	45.1	44.7	42.4	109.5	114.9	119.0	130.4
Agriculture and forestry	13.0	18.2	19.0	19.1	18.9	163.1	175.1	184.6	215.8
Transport and communications	12.0	10.2	8.8	9.3	9.2	99.7	88.5	97.2	107.4
Housing	11.5	12.9	13.7	15.1	16.2	129.8	142.8	164.4	199.6
Social-cultural, utilities and trade	10.7	10.8	10.3	10.6	11.8	117.6	116.1	124.6	158.5
Defense and administration	5.8	3.6	3.0	1.3	1.5	71.5	62.1	27.4	34.9

a. Calculated from unrounded data in 1956 prices. Totals may not agree with the sum of their rounded components.

b. 7/

c. 8/

d. 9/

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a year in per capita consumption apply only to consumer goods. The growth of personal services is likely to be less, and housing conditions, a very important element in subjective valuations of living standards, are expected to deteriorate.

d. The allocation of expenditures for capital investments has shifted considerably in recent years in favor of housing and agriculture and away from transport and communications, defense and administration. (See Table 2.\*) The share of industry and construction in total capital investments has declined only slightly. According to the plan for 1956-60, the share of housing will continue to rise, and that of industry will fall.

## II. Living Standards and Monetary Stability.

### 1. Low Urban Living Standards.

Most of the current economic problems and policies in Poland are influenced by low and politically dangerous living standards in urban areas, which in many important respects remain below the prewar level for white collar employees and certain groups of manual workers. The basic food supply of urban inhabitants is adequate in terms of calories, but the quality of their diet is poor. In relation to the prewar period, and certainly to 1950, per capita consumption of meat and fat has fallen considerably in urban areas. Among the various urban groups, white collar employees have suffered by far the most drastic decline in diet, but most workers who are not newcomers also are probably worse off. The peasant, on the other hand, has spectacularly improved his diet since the war. In 1938, he was eating not much more than one-fifth the amount of meat and fats consumed in the cities, but by the time Gomulka arrived on the scene the peasant had nearly tripled his consumption of these products and drawn level with the falling consumption of urban inhabitants. Consumption of dairy products and sugar in rural areas also has risen, although not as dramatically.

The fact that almost the entire monthly wage of a textile worker, whose wage category is only a little below average, is required to buy a minimum food supply for a family of four is another indication of the low living standard prevailing for several million families. Clearly, wives and other members of the family have been forced to work to cover expenditure on necessary industrial goods and services, which constitutes about 45 percent of the typical monthly budget. At the average wage level, 2 months of work are needed to buy a suit, and 2 weeks to buy a pair of poor-quality leather shoes. The supply of most consumer durables other than pots and pans has increased but is still so limited

\* P. 9, above.

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that such commodities usually cannot be obtained without a long wait or special connections.

One of the most important single factors now contributing to a low living standard is the housing situation in urban areas, which was bad before World War II and has become worse since the initial postwar recovery. In the face of a growth of urban population of 40 percent and normal deterioration of older housing, there has not been enough new residential construction or repair to maintain even the density of 1.6 persons per room, which prevailed in 1950, and conditions of 3 or 4 persons per room are prevalent. The acquisition of an apartment is in many cases the most difficult problem facing Polish families, particularly young people.

Table 3\* shows the movement of various aspects of living standards between selected postwar years and in relation to the prewar period. Following several years of rapid recovery, living standards in 1950 probably were above prewar levels in both urban and rural areas, although farmers had received the greater improvements. As a result of industrialization and of agricultural policies, however, living standards declined during 1951-53, per capita consumption in urban areas fell sharply, whereas consumption on farms rose, and housing deteriorated everywhere.

The rise of living standards in urban areas since 1953 has been very uneven as applied both to categories of workers and to types of consumer items. The growth of per capita consumption on farms probably exceeded that of per capita consumption in urban areas until 1957.

## 2. Policies and Developments, 1956-57.

### a. General.

In 1956 and 1957, there were substantial improvements in over-all per capita consumption of high-quality foods, clothing, and consumer durables. These improvements were offset only partly by a continued deterioration in housing conditions.

During the 2-year period, per capita consumption of meat and animal fats rose by 10 percent; milk, by 7 to 8 percent; and sugar, by 10 percent. Among the nonfood articles, improvements could be noted in consumption of leather shoes, textile fabrics, and clothing and in a rapid rise in sales of consumer durables -- radios, bicycles, motor-cycles, sewing machines, and the like -- from very low previous levels.\*\*

\* Table 3 follows on p. 12.

\*\* Text continued on p. 14.

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Table 3  
Selected Indicators of Living Standards in Poland  
Selected Years, 1938-57, and 1960 Plan

		Indexes (1955 = 100)						
		1938 (Prewar Boundaries)	1950	1953	1955	1956	1957	1960 (Plan)
		Amount in 1955						
Total consumption per capita								
All goods purchased by individuals	6,264 zlotys a/*	N.A.	82	80	100	109	120	135
Meat and slaughter fats	37 kilograms b/	73 c/	102	88	100	103	110	N.A.
Sugar	24 kilograms d/	51 e/	88 d/	83 d/	100 d/	105 d/	110 f/	N.A.
Cotton fabrics	16.5 meters d/	58 d/ g/	87 d/	92 d/	100 d/	108 d/	114 f/	N.A.
Leather shoes	0.9 pair d/	N.A.	N.A.	89 d/	100 d/	118 d/	133 f/	N.A.
Urban consumption per capita								
Urban real wages (1956 zlotys) h/		N.A.	110	90	100	112	124	130
Meat and slaughter fats i/	45 kilograms	158 j/	188	113	100	116	131	N.A.
Housing space	7 square meters k/	87	113	N.A.	100	N.A.	97	98 l/

\* Footnotes for Table 3 follow on p. 13.

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Table 3

Selected Indicators of Living Standards in Poland  
Selected Years, 1938-57, and 1960 Plan  
(Continued)

- a. In 1956 zlotys. Derived from series on the value of personal consumption in Table 1, p. 7, above.
- b. Estimated.
- c. 1934-38 average.
- d. 10/
- e. 11/
- f. Calculated from data in Table 4, p. 15, below.
- g. 1933-37 average.
- h.  Figures for 1956-57 were calculated from official indexes of net money wages and retail prices.
- i. Except in 1938, urban consumption of meat and slaughter fats is assumed to be approximately equal to state procurements of slaughter animals (converted to slaughter weight by means of official ratios) less exports of meat products.
- This is an extremely rough estimate which does not take into consideration sales of meat to peasants through state channels, sales by peasants to urban inhabitants through the free market, waste and stocks in state industry and the state distribution system, and the greater share of waste in slaughter meat than in processed meat exports.
- Although the over-all trend in per capita urban consumption of meat and slaughter fats is probably correct, there is strong reason to suspect that the index for 1950 is too high. There is also a possibility that part of the increase in state procurements in 1956 and 1957 was at the expense of free market sales.
- j. 13/
- k. 14/
- l. Estimated achievement.

50X1

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These improvements were due in part to increased agricultural production and to conversion of plants from production of machinery and military end items to production of consumer durables. In a number of cases, however, they stemmed not primarily from increased production but from reductions in stocks between October 1956 and June 1957 and from increases in imports or decreases in exports of consumer goods, financed by foreign credits. Consumption of wool and cotton fabrics rose in the last half of 1956 and the first half of 1957 because of a sharp decline in stocks and continued in 1957 on the strength of a very sharp fall in exports. The reduction in exports of sugar in 1956 was greater than the dip in production of sugar and because of the poor sugar beet crop in 1956 exports remained on a relatively low level in 1957. Imports of manufactured consumer goods rose rapidly in both years. Table 4\* shows the evolution of production, consumption, imports, and exports during 1956-57 for selected consumer goods.

Total personal consumption (excluding services and housing) increased about 11 percent in 1956 and another 12 percent in 1957. (See Table 1.\*\*\*) If housing and other services were included in consumption and valued in accord with consumer preferences, the growth of consumption would be considerably smaller. The rate of increase in consumption in 1956-57, however, probably is greater than in any postrecovery year except 1954, when large stocks of commodities, accumulated in 1953, were released.

Another favorable development is the rise in the marketed share of agricultural production and particularly of high-quality foods (meat, milk, and the like) as a result of the successful application of cash incentives in state purchases of agricultural products. (See Table 7.\*\*\*) This development reverses an upward trend in the ratio of consumption on the farm to total production of these items which had been in progress since the introduction of low-priced compulsory deliveries in 1951. Greater mutual benefit to town and country in the exchange of food for manufactured goods has been gained thereby. Over the 2-year period, the real incomes of farmers, including consumption in kind and after purchases of current inputs, increased about 18 percent, whereas the real wages of urban workers rose 24 percent.

The distribution of total gains in consumer goods was in favor of the farmer in 1956 and of the urban population in 1957. Improvements in consumption, however, were distributed unevenly among various categories of workers. This fact was particularly true in 1957, when the Gomulka government attempted to use the incentive of higher

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\* Table 4 follows on p. 15.

\*\* P. 7, above.

\*\*\* P. 23, below.

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Table 4  
Sources and Uses of Selected Consumer Goods in Poland  
1956-57

							Increments Above Previous Year	
Item	Year	Unit	Production <u>a/</u>	Imports <u>b/</u>	Exports <u>b/</u>	Net Domestic Supplies	Consumption <u>c/</u>	Stocks and Residual <u>d/</u>
Meat and slaughter fats <u>e/</u>	1956	Thousand tons	+132		+15	+117	+117	
	1957	Thousand tons	+46			+46	+46 <u>f/</u>	
Milk and products (as milk)	1956	Million liters	+364	+135 <u>g/</u>		+499	+407	+92
	1957	Million liters	+621	+145 <u>g/</u>		+766	+551	+215
Sugar (refined)	1956	Thousand tons	-207		-311	+104	+46	+58
	1957	Thousand tons	+282		+37	+245	+48 <u>h/</u>	+197
Cotton fabrics	1956	Million meters	-3.6		+35.2	-38.8	+44.9	-83.7
	1957	Million meters	-14.9		-29.7	+44.6	+48.3	-3.7
Wool fabrics	1956	Million meters	+0.5		+1.4	-0.9	+7.2	-8.1
	1957	Million meters	+0.3		-3.5	+3.8	+0.7 <u>h/</u>	+3.1
Leather shoes	1956	Million pairs	+3.0	+0.4		+3.4	+5.2 <u>i/</u>	-1.8
	1957	Million pairs	+2.2	-0.3		+1.9	+4.3 <u>i/</u>	-2.4

a. Production of meat and slaughter fats is estimated;

d. Net supplies minus consumption.  
e. Slaughter weight; excludes poultry. Tonnages are given in metric tons throughout this report.  
f. Assuming that the increment to consumption equals the increment to supplies.  
g. Estimate of butter imports in tons converted to whole milk at a rate of 1 kilogram of butter to 28 liters of whole milk.  
h. 21/  
i. Increase in retail sales.

50X1  
50X1  
50X1

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wages to attract workers to high-priority occupations, allotting 3 billion zlotys of a wage increase of 4-1/2 billion zlotys in January 1957 to coal mining. Over the 2-year period, money wages in the fuels industry (which includes coal miners) increased about 50 percent; those of workers in other high-wage industries, such as metallurgy and machinery, 30 to 35 percent, whereas in most of the remaining nonagricultural occupations the increase was 25 to 30 percent, of which the greater part took place in 1956. Table 5\* shows the relative growth of money wages for various categories of workers during 1956 and in 1957. The increases of 1956 were distributed much more evenly than those of 1957, but, because price increases during 1957 were in areas which affected high-paid workers more than low-paid workers, the distribution of increments to real wages probably was less unequal than is indicated in Table 5.\*

b. Consumption, Wage Policy, and Monetary Stability.

The growth of personal consumption during 1956-57 did not take place in a stable and controlled manner but was attended by inflationary conditions. Real wages began to rise significantly in the summer of 1956, when, after the Poznan riots, Gomulka's predecessors authorized an increase in the wage fund beyond the original plan. By the end of the year, not only had legal increases in monthly pay again assumed larger proportions than first expected, but the confusion and wage "indiscipline" surrounding the change in regime had resulted in unauthorized increases in take-home pay the momentum of which did not subside until well into the following year. At that point, about 5 million workers and employees were affected by the wage increases, and the average monthly wage had grown 17 percent above the level in the first half of 1956.

During 1956, farmers' cash incomes also were raised 18 percent as a result of increased sales and of higher prices paid for agricultural products following the reduction of compulsory deliveries. For example, the average state procurement price for wheat rose 39 percent; that for hogs, 25 percent; and for flax, 29 percent.

Considerable pressure was thus suddenly brought to bear on the supply of consumer goods, particularly as prices in state stores were held stable. The lag of production behind sales was reflected in an alarming decline of retail stocks of many items, notably cotton fabrics, which dropped 57 percent between the last half of 1956 and June 1957. Because even the rapid increase in sales did not absorb fully the newly created purchasing power, the amount of money in circulation expanded 2 billion to 3 billion zlotys more than that needed to finance the increased volume of transactions at the given price level.

\* Table 5 follows on p. 17.

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Table 5

Average Monthly Wages of Selected Categories of Workers in Poland a/  
1955-57

		Current Zlotys			
		1955	First Half 1956	Second Half 1956	1957
Fuels					
Zlotys		1,681	1,755	1,987	2,513
Previous period = 100			104	113	126
Metallurgy					
Zlotys		1,515	1,599	1,760	1,984
Previous period = 100			106	110	113
Machine building and metal products					
Zlotys		1,266	1,283	1,507	1,693
Previous period = 100			101	117	112
Railroads					
Zlotys		1,097	1,079	1,316	1,471
Previous period = 100			98	122	112
Chemical, building materials, construction					
Zlotys		1,214	1,235	1,424	1,543
Previous period = 100			102	115	108
Other industries and remaining services					
Zlotys		961	998	1,136	1,237
Previous period = 100			104	114	109

a. 22/

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In 1957, money incomes of the urban population increased by about 23 billion zlotys, or 18 percent, as a result of higher wages, family allowances, and sickness benefits. At the same time, prices paid for farm products continued to rise, and the receipts of farmers from sales to the state rose 10 billion zlotys, or 31 percent. Nevertheless, serious inflation in 1957 was forestalled. In the first place, Gomulka had recourse to large foreign credits and was aided further in the second half of the year by an excellent crop. The rate of growth in wages for the urban population slackened toward the end of 1957, chiefly because of suppression of indiscriminate raises early in the year. More than half of the increase in the wage bill for that year was caused by wage raises authorized before or just after Gomulka's accession to power, whereas only 5.5 billion zlotys of a total 18.5 billion zlotys resulted from new authorizations. Moreover, 8 percent of the increase in gross wages was absorbed through higher taxes on wages and salaries.

Another step taken was to raise prices for a number of consumer goods sold in state stores: vodka, furniture, paper products, and a number of scarce consumer durables such as automobiles, commodities which, under Polish conditions, are not considered necessities. This action absorbed about 18 percent of the addition in 1957 to incomes of both farmer and worker. At the same time, substantial increases in prices of industrial goods used in agriculture (plows, fertilizer, bricks, lime, and lumber) offset by a further 24 percent, the gain of the farmers in money income from all sources. Finally, the growth of the private market in manufactured consumer goods, where prices had long been far above those in state stores, further reduced consumer purchasing power by an estimated 2 percent. As a result of these developments, the increase in net money incomes was almost identical with the increase in the value of retail sales. Moreover, an improved outlook for monetary stability probably was at least partly responsible for a shift from cash hoards to savings deposits, which grew by 3.2 billion zlotys in 1957.

### 3. Prospects for the Future.

As was indicated in I,\* above, rates of growth in personal consumption are planned to be much lower during 1958-60 than during 1956-57. Because this situation resulted more from economic limitations than from policies regulating production and distribution, large increases in consumption in excess of plan probably cannot be achieved without additional foreign aid.

Prospects are particularly poor in the case of urban housing because plans for new urban housing construction, which barely cover the deterioration of old buildings, will not prevent a continued decline in

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\* P. 2, above.

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per capita living space. Moreover, the housing plan may not be fulfilled. There is also little hope for a substantial improvement in supplies of clothing, unless investments in the textile industry are raised above present planned limits and more scarce foreign exchange is allocated to imports of wool and cotton.

Food prospects are better for the urban worker because of the favorable effect of the new agricultural policy on state collections of foodstuffs and on agricultural production. During the first quarter of 1958, procurement of certain foods was outrunning processing facilities. A probable decline in grain imports after 1958 and a probable increase in meat exports as a means of achieving a more rapid improvement in the balance of payments situation, however, will tend to slow the growth of consumption of high-quality foods.

Large increases in production of consumer durables can be expected, but sales of these items represented less than 6 percent of turnover in retail trade in 1957.

The growing tightness of the economic position of Poland is reflected in the plan for 1958, which calls for very few wage increases. It is also a factor in some of the recent retreats of the Gomulka regime from the liberalization of October 1955; for example, the removal of the independent status of workers' councils may have been motivated partly by the desire to avoid organized opposition of workers to unpopular economic measures.

In one important respect, however, the present situation is favorable. Because of US and Soviet credits and the excellent grain harvest of 1957, stocks of grain, wool, and cotton probably are the highest in several years and may even grow further in 1958, and stocks of consumer goods at the retail level also are rising. While these stocks may be in part tied up in the process of establishing a more flexible system of economic management, they also constitute a reserve against such contingencies as a bad harvest.

### III. Agriculture.

#### 1. Background.

The most important change in economic policy introduced to date by the Gomulka government in Poland is in agriculture. The predominance of private farming has been accepted, and both the means and the incentives to increase private farm production and sales are being provided. This new turn results from the total failure of the policy in effect during 1950-55, when private agriculture was prevented from operating effectively, whereas, on the other hand, the regime was never able to expand the socialized sector beyond 23 percent of the agricultural land.

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Stimulated by conditions in the free market and terms of trade favorable to farmers, Polish agriculture had almost regained prewar levels of production and marketings by 1949/50. After the introduction of compulsory deliveries at low prices the following year, however, and with growing discrimination against private farming, production stagnated and marketings declined. The production of food crops fell during 1951/52 and remained below prewar levels and those of 1950 (in both old and new boundaries) until 1956, and the production of meat did not exceed the output of 1950 until 1956. (See Table 6.\*) Except for horses, livestock herds increased, but because of an insufficient supply of fodder, the average weight per animal declined. Only in milk, eggs, and especially wool were there significant increases in production. Production as a whole did not regain prewar levels or those of 1950 until 1954/55.

Insufficient investments and a maldistribution of investments and current industrial inputs were partly responsible for these failures. As a result of the industrialization policies, investments in agriculture were small under the Six Year Plan (1950-55) in relation to the contribution of agriculture to national income -- they were about 12 percent of total investments, whereas the contribution of agriculture to the national income was about 30 percent at market prices and more than this at factor cost. Moreover, investments in private farms, which comprised about 80 percent of total agricultural land, were less than one-third of all investments in agriculture and probably did not even compensate for depreciation of existing assets. Great stress was placed on investments in heavy agricultural machinery and tractors appropriate for extensive agriculture on state farms, whereas sales of small agricultural machinery and tools declined in comparison with early postwar levels. Similarly, the amounts of construction materials sold to private farmers did not even satisfy demands for essential repairs. Discrimination was strong also in allocations of chemical fertilizer, private farmers receiving less than half as much per hectare as collective and state farms, and most of this was reserved for land under state contracts. In addition to these specific factors, the fear of collectivization, the low prices paid to farmers, and the very small supplies of goods in rural retail stores gave the farmer little incentive to raise production and to invest.

In spite of concentrated economic efforts and preferential treatment with respect to taxes, prices, and the like, results on state and collective farms were even poorer than on private farms. Production per hectare of arable land in the crop year of 1955/56 was 17 percent less on collective farms and 37 percent less on state farms than

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\* Table 6 follows on p. 21.

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Table 6  
Indicators of Trends in Agricultural Production and Inventory in Poland  
Selected Years, 1934-57

	1934-38						
	Prewar Boundaries	Present Boundaries	1950	1951-55	1955	1956	1957
	Indexes (1955 = 100) <sup>a/</sup>						
Total production	97	N.A.	95	93	100	108	112
Food crops	109	N.A.	100	95	100	110	N.A. }
Industrial crops	47	N.A.	80	85	100	85	N.A. } 110.7
Animal products	84	N.A.	90	92	100	107	113
	Million Metric Tons						
Crops <sup>b/</sup>							
Four major grains	12.5	13.3	11.3	11.2	12.7	12.1	13.5
Potatoes	35.0	38.0	36.5	29.8	27.0	38.1	35.1
Sugar beets	2.8	6.0	6.4	6.5	7.3	6.4	7.6
	Million Head						
Livestock inventory <sup>b/ c/</sup>							
Cattle	10.6	9.9	7.2	7.5	7.9	8.4	8.3
Hogs	7.5	9.7	9.4	9.5	10.9	11.6	12.3
Sheep	3.4	1.9	2.2	3.4	4.2	4.2	4.0
	Thousand Metric Tons						
Meat, slaughter weight <sup>d/</sup>	1,005	1,165	1,132	1,012	1,110	1,242	1,335

a. <sup>23/</sup>

b. <sup>24/</sup>

c. Prewar data relate to the census of June 1938.

d. Estimated; including meat and slaughter fats.

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on private farms. In the case of state farms, inefficiency was reflected partly in heavy and growing budgetary subsidies.

Equally as serious as the stagnation of production was the decline in agricultural marketings at a time when the urban population was growing rapidly. Although procurement of bread grains was adequate, the supply of certain quality foods purchased through compulsory and other deliveries dropped both absolutely and as a percent of production. The clearest case is that of meat, the purchase of which by the state sank from 72 percent to only 52 percent of total slaughter between the first year of compulsory deliveries and 1955. (See Table 7.\*) The trend is less clear for dairy products, in sales of which the free market of the peasants plays a large role, but here also an improvement in per capita consumption in rural areas relative to that in urban areas probably occurred. One of the major purposes of the collectivization and compulsory delivery policies was to insure an adequate supply of foods for the urban population; the result was the opposite.

## 2. Recent Developments.

Some modifications of agricultural policies were made during the period of the "new course" (1954 to mid-1956). Compulsory deliveries remained about stable, but above-quota purchases at near-market prices were raised. As a result of these measures and of reductions in prices of industrial consumer goods, farmers' terms of trade improved, in contrast to the preceding 3 years when the purchasing power of farm cash incomes fell continually. Increases in agricultural production during 1954-56, however, were certainly more attributable to favorable weather than to the "new course."

Elements of a new approach to agricultural problems had already appeared during the first three quarters of 1956, although a new policy as such was not introduced until after Gomulka came to power. Gomulka's speech to the Eighth Plenum of the Communist Party Congress in October 1956 was taken as a signal for dissolving about 80 percent of existing collective farms during the fourth quarter of 1956. (Of total arable land, 9.6 percent was in collective farms in June 1956, and 1.1 percent in December 1956.) A number of basic measures were then taken by the Gomulka government, and some measures previously approved were put into effect -- all intended to restore the individual peasant's incentives for production and sales.

First, the liquidation of most of the collective farms was accepted de facto, and the threat of a resumption of collectivization was removed, at least for the foreseeable future. This procedure was

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\* Table 7 follows on p. 23.

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Table 7  
Share of Procurement in Total Production in Poland  
1950, 1953, and 1955-57

	Unit	1950	1953	1955	1956	1957
Meat (live weight)						
Production <u>a/</u>	Thousand tons	1,625	1,512	1,674	1,894	2,047 <u>b/</u>
Procurement <u>c/</u>	Thousand tons	1,167	906	869	1,094	1,241 <u>b/</u>
Ratio		.72	.60	.52	.58	.61
Milk						
Production <u>a/</u>	Million liters	7,760	9,022	9,615	9,979	10,600
Procurement <u>c/</u>	Million liters	1,376	2,137	2,453	2,514	3,046
Ratio		.18	.24	.26	.25	.29
Eggs						
Production <u>a/</u>	Million units	N.A.	3,953	4,160	4,253	4,210
Procurement <u>c/</u>	Million units	1,220	1,592	1,636	1,646	1,659
Ratio		N.A.	.40	.39	.39	.39
Bread grains						
Production <u>a/</u>	Thousand tons	8,126	6,708	9,137	8,679	9,764
Procurement <u>c/</u>	Thousand tons	2,104	1,789	2,249	1,896	1,733
Ratio		.26	.27	.25	.22	.18

a. 25/  
b. Including horsemeat.  
c. 26/

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backed up by legalizing the free transfer of property rights in land, including inheritance. A decision was also made to sell 500,000 hectares of state farm land, 300,000 hectares from state farms (over 10 percent of the total state farm area), and 200,000 hectares from the State Land Fund, to private farmers who, it was expected, would utilize the land more effectively.

Large arrears in compulsory quotas for delivery in 1956 were allowed to accumulate, and the eventual elimination of these quotas was promised. By virtue of a decision made in July 1956, milk was removed entirely from compulsory quotas as of 1 January 1957. Deliveries of grain quotas were reduced by one-third, and prices paid for grain under compulsory quotas were doubled. Farms up to 2 hectares in size were exempted altogether from compulsory deliveries of grain and potatoes, and schedules for compulsory delivery were lessened progressively in relation to the size of farms. Thus some of the discrimination against medium- and large-size farms, which had been an important factor hindering production, was reduced. Quota purchases of hogs were allowed to decline by 20 percent in 1956 and another 33 percent in 1957, although no reduction in quotas was announced officially.

Between 1955 and 1957 the value of quota purchases fell by 40 percent in constant prices and declined substantially as a percent of total procurement. Because of the drop in the quantity of compulsory deliveries, because of higher prices paid for compulsory deliveries, and because of increased above-quota sales, the cash income of farmers rose about 27 percent in 1956 and another 31 percent in 1957.

Simultaneously, steps were taken to increase supplies of agricultural equipment, tools, artificial fertilizer, and construction materials to private farmers. The amount of artificial fertilizer (pure content) applied per hectare of sown area increased 14 percent in all agriculture but 22 percent on private farms between the crop years of 1954/55 and 1956/57. (See Table 8.\*) In 1957, there was also a considerable shift from production of large agricultural machinery to small machinery usable on private farms (see Table 9\*\*), and existing machine tractor stations are now being used primarily to service private and collective farms. Plans called for 60 percent of the value of agricultural machinery to be sold to private farms in 1957 and nearly three-quarters in 1958, compared with only 30 percent in 1956. Large increases in sales of construction materials to agriculture from state sources also occurred (see Table 9\*\*), and private production of bricks and lime in rural areas was encouraged.

\* Table 8 follows on p. 25.

\*\* Table 9 follows on p. 26.



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Table 8

Use of Fertilizer in Polish Agriculture a/  
Selected Years, 1937/38-1956/57

Kilograms per Hectare of Sown Land

	<u>1937/38</u>					
	<u>Prewar Boundaries</u>	<u>Postwar Boundaries</u>	<u>1948/49</u>	<u>1954/55</u>	<u>1955/56</u>	<u>1956/57</u>
Chemical fertilizer (pure content)	<u>7.1</u>	<u>38.2</u>	<u>17.7</u>	<u>35.3</u>	<u>38.1</u>	<u>40.4</u>
Nitrogenous (as N)	1.7	9.3	4.8	8.9	10.6	12.6
Phosphorous (as P <sub>2</sub> O <sub>5</sub> )	3.1	11.4	5.5	9.5	9.8	10.1
Potassium (as K <sub>2</sub> O)	2.3	17.5	7.4	16.9	17.7	17.7
Manure (pure content)	<u>68.4</u>	<u>78.1</u>	N.A.	<u>62.3</u>	<u>65.0</u>	N.A.
Total fertilizer (pure content)	<u>75.5</u>	<u>116.3</u>	N.A.	<u>97.6</u>	<u>103.1</u>	N.A.
N	23.9	34.6	N.A.	29.1	31.7	N.A.
P <sub>2</sub> O <sub>5</sub>	18.9	29.5	N.A.	23.9	24.8	N.A.
K <sub>2</sub> O	32.7	52.2	N.A.	44.6	46.6	N.A.
Private farms: total	<u>75.5</u>	<u>116.3</u>	N.A.	<u>95.4</u>	N.A.	N.A.
Chemical	7.1	38.2	N.A.	28.1	31.0	34.3
Manure	68.4	78.1	N.A.	67.3	N.A.	N.A.
Collective farms: total			N.A.	<u>104.0</u>	N.A.	N.A.
Chemical			N.A.	54.3	60.6	N.A.
Manure			N.A.	49.7	N.A.	N.A.
State farms: total			N.A.	<u>99.9</u>	N.A.	N.A.
Chemical			N.A.	59.2	61.5	N.A.
Manure			N.A.	40.7	N.A.	N.A.

a. 27/

Table 9  
Deliveries of Investment Goods to Agriculture in Poland  
1954-57 and 1960 Plan

	Unit	1954 <u>a/</u>	1955 <u>a/ b/</u>	1956 <u>b/ c/</u>	1957 <u>c/</u>	1960 (Plan) <u>d/</u>	Percent Sold to Private Farms 1956
Large machinery and equipment							
Tractors	15 horsepower unit	8,600	9,206	8,694	5,799	N.A.	Negligible
Grain combines	Units	690	966	1,134	458	N.A.	0
Threshers, with motor	Units	1,300	818	955	1,332	N.A.	21
Grain sowers, tractor-drawn	Units	1,200	2,192	616	N.A.	N.A.	Negligible
Mowers, tractor-drawn	Units	1,100	1,800	2,609	1,920	N.A.	Negligible
Potato diggers, tractor-drawn	Units	1,400	3,000	3,367	832	N.A.	0
Small machinery and equipment							
Plows, horse-drawn	Thousand units	93.3	85.1	105.6	139.0	N.A.	100
Field harrows, horse-drawn	Thousand units	N.A.	114.1	110.9	149.3	N.A.	97
Cultivators, horse-drawn	Thousand units	N.A.	N.A.	9.3	21.5	N.A.	N.A.
Grain sowers, horse-drawn	Thousand units	14.7	17.8	21.0	21.5	N.A.	41
Potato diggers, horse-drawn	Thousand units	17.8	18.7	15.9	21.4	N.A.	80
Chaff cutters	Thousand units	N.A.	N.A.	26.9	31.7	N.A.	94
Construction materials <u>e/</u>							
Cement	Thousand tons	369	426	618	1,043	1,340	
Lime	Thousand tons	283	324	295	332	585	
Bricks	Million units	366	392	412	377	900 <u>f/</u>	
Tarpaper	Million square meters	9.9	15.2	17.4	27.6	N.A.	

a. 28/b. 29/c. 30/d. 31/

e. Retail sales to private and cooperative farms.

f. All wall materials. Sales of those other than bricks were insignificant in 1955-56 but are said to have increased in 1957.

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Although prices of most industrial inputs for agriculture were substantially raised in 1957 to absorb part of the increment to cash farm incomes and prevent a large shift in the terms of trade in favor of agriculture, real farm incomes continued to increase in 1957, although at a slower rate than in the preceding year. During the 2-year period, the increase is estimated at about 18 percent.

These policies appear to have met with considerable success. Probably, it is too early to distinguish the effects of favorable weather on agricultural production which, in 1955-57, surpassed prewar levels and those of 1950 in both old and present boundaries and well exceeded the plan, from the effect of the new policies. The rapid rise in the marketed share of high-quality products, however, is due, certainly in significant part, to the newly gained financial incentives. Between 1955 and 1957, the share of state purchases to total slaughter of livestock (in terms of live weight) rose from 52 percent to 61 percent. Thus meat procurement reached the highest absolute and percentage level since the start of collectivization and compulsory deliveries in 1950-51, although it probably remained below the levels of 1950. Purchases of grains declined as a percent of production as large-scale imports of grain permitted a larger share of domestic production to be used for feed.

Another major gain is the rapid rise in investments by peasants from their own means, estimated at 16 percent in 1956 and another 18 percent in 1957, above the previous year. If state credits are included, investments in private farms grew more than 30 percent in 1957. Many observers have noted greatly increased construction activity in the countryside, and it is known that most of the long-term credits were used for this purpose. Larger investments by the peasants are an indication of increased confidence in government policies and particularly in the protection of private ownership in agriculture. The same growth of confidence is reflected in rising prices for land and horses (about 50 percent and 200 percent, respectively, from 1955 to the end of 1957).

The shift in priorities in favor of private agriculture, one of the effects of which was a decline in state agricultural investments, does not appear to have damaged the remaining portion of socialized agriculture. The value of production per hectare in both collective and state farms increased considerably in 1956 and 1957, primarily because of good weather. The campaign to eliminate budgetary subsidies to state farms, however, may have improved efficiency.

### 3. Prospects for the Future.

The new agricultural policy has improved greatly the outlook for Polish agriculture for the next few years. The goal for 1960 is

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to reach a level of agricultural production 25 percent above that of 1955, a season of exceptionally good weather. Perhaps such a goal is overoptimistic except under very favorable weather conditions, but a substantial increase in production, amounting to 15 to 20 percent on a gross basis, above the average production for the years 1951 to 1955 can be expected.

There is evidence that supplies of industrial inputs for agriculture will continue to rise rapidly. Production of agricultural machinery and artificial fertilizer are to increase 46 percent and 55 percent, respectively, between 1957 and 1960. About 19 percent of total investments went to agriculture in 1956 and 1957, the same percent as is planned for 1956-60. Also, the share of private investments compared with total investments in agriculture probably will continue to increase. In 1957, private investment first approached the average of 50 percent planned for the 1956-60 period.

Considerable effort is being concentrated on increasing yields in the Western Territories -- current yields being still far below pre-war levels. This lag has been due to underpopulation in these areas, to the substitution of poorly trained immigrants from eastern Poland for German farmers who had fled or been forced out, to war damage, to insufficient investments and inputs of fertilizer by comparison with German practices, to the inefficiency of state farms which comprised 60 percent of the agricultural land in these territories, and to the fear of possible future adjustments of boundaries. Factors such as encouragement of further migration into these areas, private production of construction materials, and the sale of state farm land to private farmers are intended to improve this situation. In general, agricultural prospects in the Western Territories are better than those in other parts of Poland, as increased inputs of labor, fertilizer, and investments probably will yield higher marginal returns.

Further development of the policy of stimulating farm production and sales through market incentives is also expected, particularly as the Polish government appears to attribute the successes of 1957 largely to this policy. Compulsory deliveries probably will be eliminated before 1960. Large stocks of grain, mostly financed by US and Soviet credits, are estimated to have been accumulated as means of stabilizing market supplies in the event that, upon being freed from compulsory quotas, peasants hold back their crops for speculative purposes. Whether or not the Polish government considers that compulsory deliveries can be safely eliminated with present stock levels is unknown. Judging from official statements, it seems more likely that this step will be taken in 1959, coincident with a general price reform, than in 1958. The actual timing of these moves will depend on the harvest of 1958 as well as on the political atmosphere.

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A factor which tends to postpone the elimination of compulsory deliveries at least until 1959 is the government's desire to channel to urban areas most of the expected small increments to availabilities of foods. Under these circumstances, the terms of trade between agricultural and industrial products will have to be kept stable, or possibly even shifted somewhat in favor of urban areas. It may then be difficult to induce large and growing private investments, although farmers apparently were willing to save and invest a considerable part of the increment to their income during 1957.

Another problem is the reliance of Poland on imports of grain for indirect support of its increasing production of meat. These imports are expected to remain at about 1 million tons a year through 1960 and to cause a severe drain on Poland's limited supply of foreign exchange. On the other hand, some Polish officials and economists consider imports of grain to be justified economically by the larger exports of meat which thereby are made possible.

#### IV. Industry.

##### 1. General.

The most serious problem of the industrial sector in Poland is the severe shortage of raw materials, particularly coal and construction materials. This shortage has influenced the recent reduction in the rate of industrial growth from about 10 percent a year in 1953-55 to about 7 percent in 1956 and 1957. (See Table 10.\*) It has resulted also in an inability to improve the housing situation and is reflected in the difficulties of maintaining a balance of payments. The problem is rooted in the improvident investment policy of 1949-53, which promoted rapid growth in areas where large returns on investment in terms of gross value of production could be expected (especially machinery, metallurgy to support machinery, and advanced chemicals), to the detriment of industries which were either capital intensive (basic chemicals) or where investments took a long time to come to fruition (coal).

Investment priorities in industry under the Five Year Plan (1956-60) are designed primarily to expand the supply of basic materials for domestic use and exports. This policy will stimulate the growth of personal consumption by developing the production of materials used as inputs for agriculture, housing, and some branches of light industry, but it will not permit a large expansion of capacity in the industries producing final consumer goods. The main purpose of these priorities seems to be the creation of an industrial structure which, in the long

\* Table 10 follows on p. 30.

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Table 10

Indexes of Industrial Production in Poland  
1950-57 and 1960 Plan

Year	Index (1955 = 100)		Index (Previous Year = 100)	
	Official <sup>a/</sup>	Computed	Official <sup>a/</sup>	Computed
1950	47.2	64.5	127.9	114.6
1951	57.6	70.7	122.0	109.6
1952	68.7	76.1	119.3	107.6
1953	80.6	84.5	117.3	111.4
1954	89.8	92.2	111.4	109.1
1955	100.0	100.0	111.3	108.5
1956	109.0	107.0	109.0	107.0
1957	119.5	114.0	109.6	107.0
1960 (plan)	149.0	N.A.		

a. 32/

run, entails less strain on the Polish consumer and is more in accord with the resources of Poland than in the past.\*

According to current achievements and plans for the remainder of the period 1956-60 (see Table 11\*\*), the largest increases in industrial investments under the Five Year Plan are going to the following industries: (a) coal mining, because of its predominant role as a source of fuels and an earner of foreign exchange; (b) electric power, in order to increase the efficiency of coal inputs in the production of energy; (c) construction materials, because of the severe shortage of housing; (d) chemicals, in order to increase supplies of fertilizer to agriculture and to save on foreign exchange by replacing imported wool and cotton with domestic artificial fibers and because many Polish planners believe that this industry offers the best prospects for profitable growth in the long run.

\* Thus the present goals of the Five Year Plan are more realistic than those adopted before Gomulka headed the government and also are oriented more to the needs of the consumer. Production goals for 1960 for most items of heavy industry were cut by 3 to 10 percent, whereas goals for consumer goods generally were left unchanged.

\*\* Table 11 follows on p. 31.

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Table 11  
Investments in Industry in Poland a/  
1951-55 and 1956-60 Plan

	Value (Billion 1956 Zlotys)		Percent		Index (1951-55 = 100)
	<u>1951-55</u>	<u>1956-60 Plan</u>	<u>1951-55</u>	<u>1956-60 Plan</u>	<u>1956-60 Plan</u>
Electric power	10.3	19.5	9.8	14.2	189
Fuels (including coal mining)	19.6	29.1	18.6	21.2	148
Ferrous and nonferrous metals	21.5	17.9	20.4	13.1	83
Machine building and metal working	18.2	16.8	17.2	12.3	92
Chemicals, rubber, and sulfur	14.0	17.6	13.3	12.8	126
Construction materials, glass, and fine ceramics	5.9	11.6	5.6	8.5	197
Wood and paper	3.3	4.5	3.1	3.3	136
Textiles, leather, and shoes	5.4	6.0	5.1	4.4	111
Foods and fats	7.1	10.9	6.7	7.9	154
Other and unallocated	0.2	3.1	0.2	2.3	N.A.
Total industry	<u>105.5</u>	<u>137.0</u>	<u>100.0</u>	<u>100.0</u>	130

a. 33/

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On the other hand, significant cuts in investments are being made in metallurgy and machine building, areas which had the highest priorities under the Six Year Plan (1950-55) but give the least support to consumption. Large increases in production of steel and machinery are expected to require much smaller investments than in the past.

Planned increases in investments for light industry and the food industry can provide only small additions to present production capacity, which already is almost fully employed. Supplies of imported raw materials, moreover, will continue to be an important limitation on the growth of production in these industries.

Table 14\* shows that there has been a significant reduction in the rate of growth of most basic industrial commodities during 1956-57 compared with that during 1950-53 or during 1954-55. The reduction is due both to the shortage of materials and to the leveling off of investments since 1953. The decline is general among fuels, metals, and chemicals but applies also to many items of machinery, construction materials, and light industry. Coal production declined in absolute terms during 1957, and the production of such important commodities as bricks, cotton and wool fabrics, and zinc stagnated. The rate of growth in output of most commodities, but particularly coal, basic construction materials and chemicals, and most categories of textile fabrics must be raised during the next 3 years if the production goals for 1960 are to be fulfilled. Nevertheless, although underfulfillment is likely in certain areas, projected increases in capital investments may enable the rate of growth of industry as a whole to rise sufficiently to fulfill the over-all plan.

Some progress was made in 1957 in reducing the shortage of raw materials, primarily by increasing imports of these materials. Table 12\*\* shows that stocks of nearly all important industrial materials were increasing rapidly during the period from September 1956 to September 1957. Probably, further growth in stocks of cotton, wool, and hides occurred during the last quarter of 1957 and the first months of 1958 as a result of deliveries financed by the US loans.

Four problem areas in industry -- coal, construction materials, steel and machinery, and textiles -- are discussed in more detail in the following sections.

## 2. Coal.

Coal provides more than 90 percent of fuel and power for Poland and, together with coke, accounted between 1949 and 1955 for about 50 percent of the nation's export earnings.

\* P. 39, below.

\*\* Table 12 follows on p. 33.

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Table 12

Changes in Stocks of Industrial Materials in Poland a/  
30 September 1956 and 30 September 1957

	Thousand Tons		Index
	30 September 1956	30 September 1957	
Iron ore	1,709.0	2,123.0	124
Steel scrap	387.0	589.0	152
Copper concentrate	16.0	20.6	129
Zinc	2.9	1.8	62
Aluminum	0.5	1.4	280
Sulfuric acid	21.5	16.2	75
Caustic soda	5.2	9.6	185
Crude carbide	9.5	19.8	208
Natural rubber	1.1	2.9	264
Cement	324.0	398.0	123
Cellulose	13.7	12.2	89
Cotton	9.9	25.7	260
Washed wool	2.9	4.5	155
Staple fibers	3.7	6.4	173
Fine wool yarn	1.3	1.0	77
Raw hides	9.1	12.9	142
Hard leather	2.0	2.3	115

a. 34/

In the absence of sufficient investments in new mines (see Table 11\*), the increase of 27 percent in production of coal during 1949-55 was achieved by expanding employment, overtime, and Sunday work and by the use of military and forced labor. By 1955, output per work-day in hard coal mines had declined to a level about 5 percent below that of 1949 and 30 percent below that of 1938 (prewar boundaries). In order to satisfy the demands of industry and transportation for coal, sales of coal to private consumers for heating were held stable, and exports were reduced slightly.

Since 1956 the policy of Poland on coal has been oriented toward a long-run solution of the problem of coal production. Sunday work, as well as the use of military and forced labor in coal mines, was reduced; wages of coal miners were increased substantially, and the construction of houses for them was accelerated. It was hoped that these measures

\* P. 31, above.

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would stimulate greater productivity and therefore compensate at least partly for the decline in total number of days worked. At the same time, investment allocations to the coal industry have been raised greatly. An upward trend in production is not expected, however, until 1959, when several deep mines, construction of which was initiated during 1954-55, are scheduled for completion and when a number of shallow and strip mines will be newly exploited. Current investments in new deep mines will have no impact until after 1960.

During 1957, production of hard coal declined 1.1 percent less than had been planned. Reduced compulsion and a wage policy which attracted large numbers of workers into coal mining (partly at the expense of other mining activities) were to some degree accountable for this improvement and also may have helped to stem the downward trend in output per man-day, but at the same time absenteeism rose.

The stagnation and decline of coal production occurred at a time when allocations of coal to private consumers for heating purposes were rising rapidly -- 12 percent in 1956, and another 12 percent in 1957. As a result of this and of continued industrial growth, coal exports fell about 5 million tons in 1956 and almost 6 million tons more in 1957. Even the small planned recovery of coal exports, to a level still below that of 1955, is contingent on difficult savings in the use of coal in industry and transportation. Plans to achieve these economies include the partial substitution of brown coal for hard coal as fuel for electric power stations and further electrification of railroads. Trends in production and uses of hard coal and in employment and productivity of labor in hard coal mining are shown in Table 13.\*

### 3. Construction Materials.

Most branches of the construction materials industry have suffered from sluggish technology, from the failure to reconstruct plants located in the ex-German territories, and from the repression of small-scale private and local production. By 1955 the weighted average production of basic construction materials (bricks, roofing tiles, cement, and lime) was less than in 1938 (in comparable boundaries). In the manufacture of bricks, productivity of labor was considerably below the prewar level in either set of boundaries.

Under the Six Year Plan (1950-55), the shortage of construction materials was manifest principally in residential and farm construction, but it also affected low-priority industrial construction (as in light industry) and repairs. The rapid increase in housing construction during recent years, coupled with continued demands for investment elsewhere,

\* Table 13 follows on p. 35.

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Table 13

Selected Statistics on Production and Uses of Hard Coal and on Employment and Productivity of Laborers in the Hard Coal Industry in Poland a/ 1938 and 1949-57

	<u>1938</u>										
	<u>Prewar</u>	<u>Postwar</u>									
	<u>Boundaries</u>	<u>Boundaries</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Production (million tons)	38.1	69.4	74.1	78.0	82.0	84.4	88.7	91.6	94.5	95.1	94.1
Uses (million tons)											
Industry and further processing	N.A.	N.A.	28.7	31.4	34.4	38.6	42.4	45.0	48.3	51.0	54.0
Railroad transport	N.A.	N.A.	6.4	6.8	7.3	7.7	8.2	9.0	9.1	9.5	9.6
Private consumers; public	N.A.	N.A.	12.5	13.5	14.1	13.5	13.7	13.5	13.5	15.1	16.9
institutions, and the like	N.A.	N.A.	26.3	26.6	25.9	24.5	24.2	24.2	24.1	19.2	13.4
Exports											
Employment (thousands)	<u>b/</u>	<u>b/</u>	214.9	N.A.	N.A.	N.A.	N.A.	N.A.	296.3	312.8	329.6
Production per workday per											
employee (tons)	1.814	1.718	1.328	N.A.	N.A.	N.A.	1.308	1.288	1.267	1.247	1.247

a. 35/. Totals are derived from unrounded data and may not agree with the sum of the rounded components.  
b. Available data are not comparable with postwar series.

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has made the shortage of building materials acute in all parts of the economy. To relieve the situation, centralized investments assigned by the Gomulka regime to the construction materials industry have doubled from the period 1951-55 to 1960, by far the largest increase in centralized investments to be received by any industry under the Five Year Plan. (See Table 11\*). At the same time, small-scale private, local, and auxiliary production is being encouraged. During the first half of 1957, these small plants accounted for about 6 percent of the production of bricks and 10 percent of the production of lime. These policies met with some success during 1957, as production of cement and lime developed rapidly, but production of bricks lagged far behind the plan.

Fulfillment of the plan for 1960 will require a very large increase in the rate of growth of most basic construction materials. The plan to double output of all wall materials by 1960 (in relation to 1955) depends, in addition, on rapid growth of prefabricated concrete products and of materials utilizing various kinds of waste matter (sawdust, slag, cinder, and the like). Hopes for avoiding further overcutting of forests depend on the substitution of these for sawn wood, the output of which is to decline, according to plan.

4. Metallurgy and Machinery.

The spectacular increase of steel production in Poland during the postwar period to a level in 1955 of 2.5 times greater than the prewar level in comparable boundaries was achieved at very great cost. In spite of the fact that investments in metallurgy and iron ore mining during 1950-55 were more than 20 percent of total investments in industry, productivity of labor remained below prewar levels. Attempts are now being made to increase the efficiency of utilization of plants built under the Six Year Plan (1950-55), primarily by expanding production capacity in rolling mills. (See Table 11.\*) Investments required per unit of output are expected to be substantially less than in past years, as is indicated by the 58-percent increase in production of steel planned for 1956-60 in the face of declining investment. The average rate of increase in steel production during 1956-57 was 9.4 percent, a rate which, if maintained annually, would result in achieving the goals for 1960.

Efficient use of capacity for steel production depends to a large extent on the expansion of production of machinery and equipment. The output of this industry approximately tripled between 1949 and 1955 and has increased rapidly in 1956 and 1957; the plan is to double it during 1956-60. Because much recent and prospective growth is based on productive capacity created earlier, planned expenditures on

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\* P. 31, above.

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new investments in the machinery industries are less than half as large as they were in 1951-55.

This industry is experiencing serious economic difficulties as a result of the unevenness of its past development, which has led to bottlenecks in some areas and unused capacity in others. At the same time, overdiversification of production has caused unnecessarily high costs and poor quality, a circumstance which seriously hinders the development of exports of machinery. Nonetheless, a sharp decline in the rate of growth in the uses of domestic machinery for investment purposes has provoked strong efforts to put existing capacity to use by expanding exports of machinery. These exports have increased substantially in the past 2 years, whereas imports of machinery have declined.

Present policies are aimed at deriving the largest possible short-run benefits from the machinery industries, as follows: a further rapid expansion of exports of machinery to gain badly needed foreign exchange and a rapid growth in the output of agricultural machinery, mining machinery, and consumer durables for home use. Although attempts to eliminate bottlenecks, improve quality, and reduce unit costs by fuller utilization of capacity may meet with some success, part of the production of machinery in Poland will remain uneconomic in the long run.

5. Textiles.

Investment policies under the Six Year Plan (1950-55) have left the textile industry of Poland in a state of disrepair. Although accounting for more than 10 percent of all fixed assets in state industry at the beginning of 1949, the textile industry probably received less than 4 percent of total industrial investments in the next 6 years. Descriptions of the Lodz textile factories indicate that the buildings are rotting, that much of the machinery dates to before World War I (and over a third to before 1900), and that the limited numbers of new Polish-made machines do not attain the productivity of the old machines.

The scarcity of raw materials still remains an important immediate limitation on the growth of textile production in Poland. The quantity of production was increased slightly during 1949-53, in spite of a decline in imports of textile materials, by increasing the mix of domestic artificial fibers in textiles and by reducing quality. The recovery of imports of textile materials during 1954-55 permitted a faster growth of domestic textile production, but the limitations of foreign exchange stopped this rise in 1956, and whatever improvements occurred in 1957 took place in the linen and rayon industries, not in the cotton and wool industries. Bottlenecks in cotton spinning mills,

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shortages of imported raw materials, and growing absenteeism are mentioned as the principal factors hindering production of textiles.

The Five Year Plan (1956-60) calls for only a moderate increase in the output of basic textile products (17 percent for wool fabrics and 19 percent for cotton fabrics in 1960 relative to 1955), but even to fulfill this goal the rate of growth of production will have to be much larger than in 1956-57. According to the Five Year Plan, investments are to increase 50 percent between 1957 and 1960, enough to make only marginal improvements in methods of production and in capacity. These are indications, however, that allocations of investment to the textile industry in 1958 will be greater than had been planned.

Production of selected commodities in Poland for the years 1949-57 and plans for 1960 are summarized in Table 14.\*

#### V. Foreign Trade and the Balance of Payments.

##### 1. Balance of Payments.

During 1957, Poland had a deficit on current foreign account amounting to at least US \$250 million, or about 20 percent of the value of commodity exports by Poland. This deficit was financed by drawings on a number of long- and short-term loans from the USSR, the US, East Germany, Czechoslovakia, and several Western European countries. The existence of the deficit reflects the attempt of the Gomulka regime to raise personal consumption and accumulate stockpiles without a sharp curtailment of the rate of industrial growth.

The immediate cause of the deficit in the balance of payments was a decline in the volume of coal exported during 1956-57 to a level about 45 percent below that exported during 1955. Extremely favorable terms of trade resulting from the increased demand for Polish coal at the time of the Suez crisis gave Poland a temporary reprieve in 1956, but in 1957 a reverse swing in the terms of trade caused additional losses of foreign exchange, estimated by one Polish source at about US \$150 million.

The roots of the present problem of the balance of payments are found in the pattern of economic development in Poland under the Six Year Plan (1950-55) and particularly during 1950-53, when investments in coal mining did not provide sufficient new capacity to satisfy growing domestic requirements and increased exports at the same time, when agricultural production stagnated, and when the demand for imports in the high-priority industries (steel and machinery) multiplied.\*\*

\* Table 14 follows on p. 39.

\*\* Text continued on p. 45.

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Table 14

Production of Selected Commodities in Poland <sup>a/</sup>\*  
 Selected Years, 1949-57, and 1960 Plan

		Absolute Data					
Unit		1949	1953	1955	1956	1957	1960 (Plan)
Producer goods							
Fuels and power							
Hard coal	Thousand tons	74,081	88,719	94,476	95,149	94,096	105,000
Brown coal	Thousand tons	4,621	5,633	6,045	6,183	5,954	11,900
Electric power	Million kilowatt-hours	8,300	13,679	17,751	19,491	21,155	28,300
Coke	Thousand tons	5,773	7,902	10,036	10,486	10,897	11,800
Crude petroleum	Thousand tons	151	189	180	184	181	N.A.
Metals							
Iron ore (gross)	Thousand tons	684	1,309	1,856	1,973	1,994	3,113 <sup>b/</sup>
Crude steel	Thousand tons	2,304	3,604	4,426	5,014	5,304	7,000
Zinc-lead ore							
(gross)	Thousand tons	1,144	2,008	2,378	2,231	2,028	2,530
Zinc	Thousand tons	108	138	156	153	159	175

\* Footnotes for Table 14 follow on p. 43.

Table 14  
 Production of Selected Commodities in Poland <sup>a/</sup>  
 Selected Years, 1949-57, and 1960 Plan  
 (Continued)

		Absolute Data					
	Unit	1949	1953	1955	1956	1957	1960 (Plan)
Machinery and equipment							
Metal working machine tools	Tons	9,438	20,165	27,797	29,357	31,315	58,300 <sup>c/</sup>
Agricultural machinery	Million zlotys	<sup>d/</sup>	<sup>d/</sup>	932	1,225	1,387	2,023
Mining machinery	Million zlotys	<sup>d/</sup>	<sup>d/</sup>	933	1,173	1,298	2,166
Electric motors	Thousand units	51.8	158.0	200.9	261.4	401.2	N.A.
Standard-gauge freight cars	2-axle units	16,800	12,496	16,069	16,259	16,651	20,038 <sup>e/</sup>
Trucks	Units	245	10,935	12,480 <sup>f/</sup>	12,904 <sup>f/</sup>	12,112 <sup>f/</sup>	13,600
Automobiles	Units	0	1,563	4,015	5,765	7,953	29,000
Ships of more than 100 deadweight tons commissioned	Thousand deadweight tons	5	67	103	120	147	224
Chemicals							
Sulfuric acid, 100 percent	Thousand tons	276	370	450	481	499	723
Calcinated soda, 98 percent	Thousand tons	121	180	211	215	232	490



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Table 14

Production of Selected Commodities in Poland a/  
 Selected Years, 1949-57, and 1960 Plan  
 (Continued)

		Absolute Data					
	Unit	1949	1953	1955	1956	1957	1960 (Plan)
Dyes	Thousand tons	3.8	6.1	6.6	6.5	N.A.	N.A.
Nitrogenous fertilizer (as N <sub>2</sub> )	Thousand tons	74	84	154	175	201	298
Phosphorous fertilizer (as P <sub>2</sub> O <sub>5</sub> )	Thousand tons	74	109	132	123	138	229
Rayon	Thousand tons	9.0	13.1	15.4	16.3	17.0	21.5
Staple fiber	Thousand tons	13.0	25.4	35.0	39.0	41.4	49.0
Rubber tires	Thousand tons	5.7	13.1	17.0	20.7	29.3	N.A.
Construction materials							
Bricks	Million units	1,167	2,310	2,740	2,786	2,860	3,892
Cement	Thousand tons	2,344	3,294	3,813	4,035	4,487	6,874
Concrete	Thousand tons	N.A.	N.A.	1,213	1,390	N.A.	3,174
Window glass	Million square meters	10.7	15.7	16.1	18.5	18.6	28.0
Sawn wood	Million cubic meters	4,585	5,849	6,907	6,764	6,388	6,603 <u>b/</u>

Table 14  
Production of Selected Commodities in Poland a/  
Selected Years, 1949-57, and 1960 Plan  
(Continued)

		Absolute Data					
Unit		1949	1953	1955	1956	1957	1960 (Plan)
Consumer goods							
Textiles and shoes							
Cotton fabrics	Million meters	406.5	499.5	568.3	564.7	578.2	679.1 b/
Wool fabrics	Million meters	50.1	70.7	75.7	76.2	76.5	88.6 b/
Linen fabrics	Million meters	47.2	50.8	51.4	64.2	69.1	94.0 b/
Rayon fabrics (including synthetics)	Million meters	47.7	68.0	81.3	85.5	91.1	114.5 b/
Total footwear	Million pairs	d/	50.3	55.0	61.3	68.3	93.1 b/
Other nondurable goods							
Paper	Thousand tons	253	314 g/	376	397	403	508
Soap	Thousand tons	52	65	55	68	77 h/	92 b/
Furniture	Million zlotys	d/	d/	1,410	1,580	N.A.	2,375
Pharmaceuticals	Million zlotys	d/	d/	1,020	1,232	1,474	2,397

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Table 14

Production of Selected Commodities in Poland a/  
 Selected Years, 1949-57, and 1960 Plan  
 (Continued)

		Absolute Data					
Unit		1949	1953	1955	1956	1957	1960 (Plan)
Durable consumer goods							
Bicycles (except children's)	Thousand units	91	131	167	185	208	600
Motorcycles and motorbicycles	Thousand units	4.2	13.7	30.1	45.5	62.2	190
Radios	Thousand units	66	268	461	499	646	950
Processed foods							
Sugar	Thousand tons	745	1,107	980	776	1,059	1,250
Beer	Thousand hectoliters	2,532	4,978	5,170	5,197	5,692	6,014
Alcohol, 100 percent	Million liters	85.8	124.6	115.2	88.5	N.A.	134.0
Cigarettes	Billion units	21.3	32.5	37.5	41.3	42.8	50.0

- a. 36/  
 b. Production planned for 1960 does not include total production. In order to obtain consistent commodity series, it was assumed that total production would increase at the same rate as production planned between 1955 and 1960.

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Table 14

Production of Selected Commodities in Poland a/  
Selected Years, 1949-57, and 1960 Plan  
(Continued)

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c. Estimated.

d. Available data are not comparable with those of other years.

e. Obtained by applying an index of total freight cars in units to production of freight cars in 2-axle units in 1955.

f. Truck production in 1955 from Statistical Yearbook, 1956. This figure is consistent with that used in the Five Year Plan. On the other hand, available data for 1956 and 1957 exclude certain special vehicles. It was assumed that all truck production increased at the same rate as the more limited series during 1955 and 1956.

g. Data for 1953 include cardboard while data for other years exclude it. Cardboard was removed from the 1953 data on the assumption that it was the same relation to paper production in that year as in 1955.

h. Obtained by applying an index of laundry soap to total soap production in 1956.

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Although the present investment policy of Poland is aimed in part at recovering its traditional position of exporting food and coal, the reestablishment of a sound export structure will take several years. In the meantime, to support its domestic economic program, Poland is forced to rely heavily on foreign credits and on exports of machinery, which entail difficult marketing problems and encounter very tough competition abroad.

In the absence of new foreign credits, the difficulties of restoring a balance of payments will increase during 1958-60 as previous credits are exhausted, and scheduled repayments after 1960 will create further strains.

2. Commodity Composition of Foreign Trade and Its Relation to Domestic Economic Activity.

Table 23\* shows the evolution of the foreign trade of Poland by commodity group in constant 1955 US dollars during 1950-57 and 1960 (planned). This evolution clearly reflects the pattern of economic development and changes in domestic priorities in Poland. The expansion of heavy industry and motor transport required an almost proportional growth in imports of materials for heavy industry (iron and other ferrous ore, nonferrous metals other than zinc and lead, organic chemicals, and the like) and of fuels (crude petroleum and petroleum products). At the same time, growing domestic demands coupled with insufficient investments in basic materials reduced the supply of most of these materials (that is, coal, coke, and cement) and, during 1951-56, rolled products for export, in relation to their production. (See Table 15.\*\*\*) Rapid industrialization under the Six Year Plan (1950-55) also necessitated very large imports of machinery and equipment. During 1951-53 these imports amounted to about 40 percent of total imports by Poland. Net imports of machinery and equipment, however, were reduced steadily during 1952-56 as the domestic production of machinery developed and exports of machinery became significant. As can be calculated from Table 16,\*\*\* the value of net imports of machinery and equipment probably was more than 50 percent of the value of domestic investment in machinery and equipment (with no lag, or assuming that imports of one year become investments in the next) in 1952, but only 10 to 15 percent in 1957. It should be emphasized, however, that domestic substitutes for a wide range of imported items have not been developed and that production capacity in a number of branches far exceeds domestic needs.

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\* P. 56, below.

\*\* Table 15 follows on p. 46.

\*\*\* Table 16 follows on p. 46.

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Table 15

Exports by Poland of Selected Basic Materials  
as a Percent of Production a/  
Selected Years, 1949-57

<u>Material</u>	<u>1949</u>	<u>1954</u>	<u>1956</u>	<u>1957</u>
Hard coal	35	26	20	14
Coke	32	23	22	17
Cement	22	16	14	3
Rolled products	11	7	14	16
Zinc	53	62	63	57

a. 37/

Table 16

Investment and Foreign Trade of Poland in Machinery and Equipment  
1949-57

<u>Million US \$</u>				
<u>Year</u>	<u>Imports <u>a/</u></u>	<u>Exports <u>a/</u></u>	<u>Net Imports</u>	<u>Investment <u>b/</u></u>
1949	154	14	140	257
1950	217	49	168	390
1951	313	51	262	386
1952	310	75	235	480
1953	319	102	217	589
1954	294	97	197	675
1955	288	120	168	719
1956	230	134	96	734
1957	196 <u>c/</u>	176 <u>c/</u>	20	710

a. From Table 23, p. 56, below, except as indicated.

b. Investment in 1955-56 is in 1956 zlotys. 38/ Investment during 1950-55 in machinery and equipment was converted to 1956 prices by means of a price index calculated from data on the value of investment in 1955 in both sets of prices. 39/ Investment in 1949 was assumed to be the same percentage of total investment in the socialized economy as in 1950 40/ and was converted to 1956 zlotys as above.

Investments in 1956 zlotys were converted to dollars at the rate of 20 zlotys to US \$1.

c. Calculated by multiplying absolute figures for 1956 (1955 prices) by the index for 1957 (1956 prices).

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50X1  
50X1  
50X1

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Much of the cost of imports for the program of industrialization in Poland during 1950-53 was borne by the Polish consumer. Imports of materials for light industry (wool, cotton, and hides) in particular were reduced sharply without compensating increases in production of domestic wool and hides, and exports of foods and manufactured consumer goods (mostly textile fabrics) were increased or maintained in spite of the low production level of these items. Priorities for the "new course" after 1953, on the other hand, are reflected in large imports of grains, rapidly growing imports of manufactured consumer goods of all types, and a recovery in imports of materials for light industry.

Plans for 1960 call for a much larger increase in commodity exports than in imports from present levels. Because exports of coal, coke, and manufactured consumer goods are not expected to regain the levels of 1955 during the period of the Five Year Plan (1956-60), great hopes are being placed on a rapid expansion of exports of machinery. By 1960, such exports are to be three times what they were in 1955 and twice what they were in 1957. Because of the relatively high costs of domestic production and the high requirements for imports of raw materials and parts (in the form of iron ore, some rolled products, and machine parts), exports of machinery probably are less advantageous to Poland than such traditional exports as coal and meat. Moreover, such exports create difficult problems within the industry itself and cause considerable difficulties in marketing abroad. The USSR has agreed to purchase half of the planned exports of machinery from Poland during 1958-60, but competition in other markets from higher quality or better established products from East Germany, Czechoslovakia, Hungary, or the West will be very strong. In spite of these difficulties, it is certainly to the short-run advantage of Poland to press exports of machinery at present, for without them the substantial capacity of the metallurgical and machine building industries created under the Six Year Plan (1950-55) could not be utilized efficiently. A partial substitute for exports of machinery may be found in increased exports of rolled products. Recent improvements in the agricultural situation should stimulate exports of meat, but, given existing policies, the plan for total exports for 1960 will be very difficult to achieve, and, in addition, there will be strong pressure to raise imports beyond planned levels.

3. Evolution of the Balance of Payments and Foreign Credits.

Table 17\* indicates the trade balance of Poland in current US dollars during 1948-57. Part of the large deficit in commodity trade during 1951-52 reflects drawings from the US \$400 million credit from the USSR to finance the peak rate of imports of machinery. If all Polish exports had been sold at world market prices, however, the

\* Table 17 follows on p. 48.

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## C-O-N-F-I-D-E-N-T-I-A-L

Table 17

Foreign Trade of Poland a/  
1948-57 and 1958 Plan

Million Current US \$			
<u>Year</u>	<u>Imports</u>	<u>Exports</u>	<u>Balance of Trade</u>
1948	516	531	+15
1949	632	619	-14
1950	668	634	-34
1951	924	762	-162
1952	863	776	-88
1953	774	831	+57
1954	904	869	-35
1955	932	910	-22
1956	1,022	985	-37
1957	1,252	975	-277
1958 (plan)	1,175	998	-177

a. 42/

deficit would have been smaller because large deliveries of Polish coal from the ex-German territories to the USSR were transacted at nominal prices. During 1953-56, when the value of Polish imports and exports was in approximate balance, these deliveries probably were a form of net capital export. Difficulties in the balance of payments of Poland increased during 1955 and early 1956 as a result both of the "new course" and of the beginning of repayments of the earlier Soviet credits. This problem led the Polish government to negotiate several small loans.

Not until Gomulka's accession to power, however, was an all-out effort made to obtain large-scale foreign support for the economic program of Poland. Long-term credits were obtained from the USSR, the US, East Germany, Czechoslovakia, Canada, and the UK, and medium- and short-term credits from several other Western countries. In addition, Polish debts to the USSR were canceled in return for cancellation of unrequited Polish claims on German reparations, and payments for past Soviet use of Polish railroad transit facilities were made, higher rates being set for future years. Known foreign credits received by Poland since Gomulka's accession to power are presented in Table 18.\* These credits amount to about US \$747 million, and all except for Czechoslovak and East German credits are to be utilized fully during 1957-60.

\* Table 18 follows on p. 49.



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Table 18

Credits Received by Poland from Countries of the Soviet Bloc and the West  
Since Gomulka's Accession to Power a/

<u>Source of Credit</u>	<u>Date</u>	<u>Amount of Credit (Million US \$)</u>	<u>Period of Delivery</u>	<u>Period of Repayment</u>
Soviet Bloc credits				
USSR	November 1956	275	1956-59	1961-65
East Germany	April 1957	100	1957-65	1963-74
Czechoslovakia	June 1957	25	1957-60	1961-67
Czechoslovakia	October 1957	62.5	1957-65	N.A.
Total		<u>462.5</u>		
Western credits				
US	1957	95	1957-58	1962-81
US	February 1958	98	1958	1963-82
Other <u>b/</u>		101.7		
Total		<u>294.7</u>		
Grand total		<u>757.2</u>		

a. 43/

b. Including both short-term and long-term credits.

Drawings on these credits are estimated to have been about US \$250 million in 1957, and amounts available in 1958 will be about US \$170 million. A further sharp drop in credit funds available will occur in 1959, and repayments may equal the balance of credits available in 1960.

This analysis suggests that Poland will have to re-create a sound structure of foreign trade during the next 2 years if very serious difficulties in its balance of payments are to be avoided in 1960 and later, when repayments will be growing rapidly.

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## C-O-N-F-I-D-E-N-T-I-A-L

4. Changes in Economic Dependence of Poland on the USSR and on the Soviet Bloc.

The steady upward trend, initiated soon after World War II, in the volume of Polish foreign trade with the Soviet Bloc was reversed after 1954 (see Table 19\*); 59 percent of Polish foreign trade turnover was with countries of the Soviet Bloc in 1957 compared with nearly 70 percent in 1954. There was a similar decline in the share of the USSR in Polish exports, but imports from the USSR have been supported by substantial Soviet credits. Part of the reduction in the economic dependence of Poland on the Soviet Bloc results from changes in the Polish economy, particularly the decline in Polish imports of machinery. To some extent, however, Poland has had a conscious policy of reorienting part of its trade to the West. During the latter part of 1956 and in 1957 an important role in this shift was played by credits from the West.

The Soviet Bloc is still the dominant supplier to Poland of machinery and equipment, materials for heavy industry, and industrial consumer goods. (See Table 20.\*\*\*) At the same time, nearly 90 percent of the exports of machinery from Poland are going to countries of the Soviet Bloc -- about 50 percent to the USSR and nearly all the rest to Communist China and the underdeveloped countries of Eastern Europe. (See Table 21.\*\*\*\*) The Soviet Bloc also receives about one-half of the coal, most of the coke, and three-quarters of the zinc exported by Poland. (See Table 22.\*\*\*\*) Trade with the West has been heaviest in agricultural commodities, primarily imports of grain, which were resumed on a large scale in 1954. Trade included also imports of wool, jute, and hides and exports of meat products. A large portion of agricultural imports from the West during 1957 was financed by foreign credits.

The degree of economic dependence of Poland on the Soviet Bloc is not likely to be reduced significantly during the next 3 years. A Soviet credit of US \$175 million for the purchase of consumer goods and agricultural products is still available, and the USSR has agreed to purchase half of Poland's planned exports of machinery and larger amounts of zinc, rolled products, coal, and calcinated soda in return for increased supplies of iron ore, petroleum and petroleum products, cotton, and other basic materials needed by Poland. On the basis of this agreement, the share of the USSR in the trade turnover of Poland will be about the same during 1958-60 as during the past 2 years (28 percent compared with about 31 percent in 1956 and 1957). The East German and†

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\* Table 19 follows on p. 51.

\*\* Table 20 follows on p. 52.

\*\*\* Table 21 follows on p. 52.

\*\*\*\* Table 22 follows on p. 53.

† Text continued on p. 54.

## C-O-N-F-I-D-E-N-T-I-A-L

Table 19

Trade of Poland with the Soviet Bloc and the USSR a/  
1948-57 and 1958-60 Plans

Year	Million Current US \$			Percent of Total Trade		
	Turnover	Imports	Exports	Turnover	Imports	Exports
Trade with the Soviet Bloc						
1948	432	219	213	41	42	40
1949	541	265	276	43	42	45
1950	769	408	361	59	61	57
1951	970	535	434	58	58	57
1952	1,086	582	504	66	67	65
1953	1,122	556	566	70	72	68
1954	1,240	642	598	70	71	69
1955	1,166	601	565	63	65	62
1956	1,241	669	573	62	65	58
1957	1,319	760	559	59	61	57
1958-60 (plan)	N.A.	N.A.	N.A.	55 to 60 <u>b/</u>	N.A.	N.A.
Trade with the USSR						
1948	230	120	110	22	23	21
1949	238	118	120	19	19	19
1950	346	192	154	27	29	24
1951	421	241	180	25	26	24
1952	522	275	247	32	32	32
1953	537	263	274	33	34	33
1954	666	337	329	38	37	38
1955	593	313	280	32	34	31
1956	614	551 <u>c/</u>	344	31	34	27
1957	680	422	258	31	34	26
1958 (plan)	712 <u>d/</u>	640 <u>c/</u>	N.A.	28	N.A.	N.A.
1959 (plan)	804 <u>d/</u>	722 <u>c/</u>	N.A.		N.A.	N.A.
1960 (plan)	835 <u>d/</u>	750 <u>c/</u>	N.A.		N.A.	N.A.

a. 44/

b. Estimated.

c. As indicated in the Trade Agreement, 1955 prices.

d. Obtained by applying indexes from Trade Agreement to values in 1956 prices.

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## C-O-N-F-I-D-E-N-T-I-A-L

Table 20

Share of the Soviet Bloc in Polish Foreign Trade  
by Major Category of Goods a/  
1956

Category	Percent of Total in 1956	
	Imports from the Soviet Bloc	Exports to the Soviet Bloc
Machinery and equipment	78.1	89.2
Materials for production	58.5	60.4
Agricultural and food articles	38.4	17.0
Industrial consumer goods	82.0	54.1

a. 45/. The Soviet Bloc includes Yugoslavia in this table. Calculations are from values in 1955 prices.

Table 21

Polish Foreign Trade in Machinery and Equipment, by Geographic Area a/  
1956

	Imports		Exports	
	Million Dollars	Percent of Total	Million Dollars	Percent of Total
Soviet Bloc	<u>179.0</u>	<u>78.0</u>	<u>118.8</u>	<u>88.8</u>
USSR	70.7	30.8	70.0	52.3
Other developed countries <u>b/</u>	107.6	46.9	3.7	2.8
Underdeveloped Eastern Europe	0.7	0.3	5.3	4.0
Far Eastern Soviet Bloc			39.8	29.7
Non-Bloc	<u>50.6</u>	<u>22.0</u>	<u>15.0</u>	<u>11.2</u>
Western Europe <u>c/</u>	50.5	22.0	0.8	0.6
Underdeveloped Western countries <u>d/</u>	0.1	Insignificant	14.2	10.6
Total	<u>229.6</u>	<u>100.0</u>	<u>133.8</u>	<u>100.0</u>

a. 46/

b. Including East Germany, Czechoslovakia, and Hungary.

c. Excluding Spain, Yugoslavia, Greece, and Turkey. Trade with the US and Canada is nil or insignificant.

d. All other countries outside the Soviet Bloc, including Spain, Yugoslavia, Greece, and Turkey.

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Table 22

Percentage Relation of Foreign Trade and of Trade with the Soviet Bloc  
and the USSR to Polish Consumption and Production  
of Selected Commodities and Commodity Groups a/\*  
1957

	<u>Total Imports</u>	<u>Imports from the Soviet Bloc</u>	<u>Imports from the USSR</u>
Imports <u>b</u> /			
Machinery and equipment <u>c</u> /	28	22 <u>d</u> /	11
Iron ore (iron content)	82	58	54
Manganese ore	100	93	75
Chromium ore	100	95	52
Zinc concentrates	30	20	0
Copper (finished and blister)	71	40	39
Alumina	100	94	40
Phosphate rock	90	33	33
Potash	100	98	0
Rubber (natural and synthetic)	100	45	21
Petroleum (crude and products)	90	74	48
Cotton	100	53	50
Wool	69	0	0
Jute	100	0	0
Raw hides	66	3	0
Grains	11 <u>d</u> /	3 <u>d</u> /	3 <u>d</u> /
Tobacco	23	5	0
Oilseeds	25	12	0
Leather shoes	4	2	0
	<u>Total Exports</u>	<u>Exports to the Soviet Bloc</u>	<u>Exports to the USSR</u>
Exports <u>e</u> /			
Machinery and equipment <u>f</u> /	14	12 <u>g</u> /	7 <u>g</u> /
Railroad freight cars	26	N.A.	25
Railroad passenger cars	84	84	83
Locomotives	42	42	42
Ships	59	59	31

\* Footnotes for Table 22 follow on p. 54.

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Table 22

Percentage Relation of Foreign Trade and of Trade with the Soviet Bloc  
and the USSR to Polish Consumption and Production  
of Selected Commodities and Commodity Groups a/  
1957  
(Continued)

	<u>Total</u> <u>Exports</u>	<u>Exports</u> <u>to the</u> <u>Soviet Bloc</u>	<u>Exports</u> <u>to the</u> <u>USSR</u>
Exports <u>e/</u> (Continued)			
Hard coal	14	7	0
Coke	18	17	0
Rolled products	17	10	2
Zinc	52	42	19
Soda ash and caustic soda	18	12	11
Cement	3	0.3	0.3
Cotton fabrics	11	1	0.2
Wool fabrics	5	3	3
Linen fabrics	8	1	0
Sugar	32	17	17
Meat	7	5	4

- a. 47/. In some instances, data are estimates.  
b. As a percent of Polish consumption (production plus imports).  
c. As a percent of investment in machinery and equipment.  
d. Expected in 1958.  
e. As a percent of Polish production.  
f. As a percent of gross production, including intermediate products.  
g. Assuming the same geographic distribution as in 1956.

Czechoslovak investment credits, moreover, will tend to reinforce the trade of these countries with Poland.

The short-term prospects for the trade of Poland with the West are not very good except for imports financed from the second US loan. Hard currency reserves of Poland are said to be extremely small, most possible lines of credit outside the US have been exhausted, and the countries of Western Europe have proved reluctant to enter into agreements for large purchases of Polish coal because of increased domestic coal production, unusually high stocks, and a slower growth of consumption. Over the next few years, moreover, export surpluses of coal and

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meat products, normally Poland's most marketable exports to the West, are likely to increase very slowly. Poland probably has a potential market in the West for a variety of Polish manufactures (glass and ceramic articles, specialized machinery items, and the like), but it will take time to develop and organize this type of production for export purposes.

After 1960, shifts away from metallurgy and machinery and toward coal mining, agriculture, light industry, and possibly chemicals probably would tend to increase the opportunities of Poland for earning Western currency, but the actual distribution of Polish trade cannot be predicted at present.

Table 23\* summarizes imports and exports of selected commodities by Poland for 1949-57.

#### VI. New Economic Model.

Since the summer of 1956 the Polish government has tended increasingly to reduce the area of central planning and to substitute economic incentives for executive orders. One of the major forces behind this trend is the conviction of the majority of economists and technicians in Poland and of a number of influential government officials as well that the old, or Stalinist, system was too inefficient for a country in Poland's situation and that its effects tended to defeat the basic goals of the state. In the process of developing a more efficient system, the official view of what constitutes axiomatic socialist principles has narrowed considerably, and the area subject to pragmatic examination has broadened correspondingly. Reformist thought has, of course, encountered disagreement on the extent to which remodeling is necessary and the steps to be taken in concrete situations, but out of the discussion a conception of a "new Polish economic model" has emerged which appears to fall somewhere between the Soviet and the Yugoslav systems with respect to the role of state planning and management of the economy.

Underlying the changes now taking place or anticipated are both failures of policy and the shortcomings of Poland's system of planning and management, all adding to the inevitable costs of industrializing under the first major plan. Forced collectivization and the virtual elimination of private handicrafts between 1948 and 1955 are glaring examples of costly policies which were dictated primarily by political rather than economic motives. On a deeper level are deficiencies of the planning and administrative machinery itself.\*\*

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\* Table 23 follows on p. 56.

\*\* Text continued on p. 60.

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Table 23

Polish Imports and Exports, by Group and Selected Commodity a/\*  
1949-57

	Unit	1949	1950	1951	1952	1953	1954	1955	1956	1957
Total imports	Million dollars	<u>629</u>	<u>705</u>	<u>801</u>	<u>775</u>	<u>771</u>	<u>901</u>	<u>932</u>	<u>912</u>	N.A.
Machinery and equipment	Million dollars	<u>154</u>	<u>217</u>	<u>313</u>	<u>310</u>	<u>319</u>	<u>294</u>	<u>288</u>	<u>230</u>	N.A.
Materials for production	Million dollars	<u>392.1</u>	<u>388</u>	<u>384</u>	<u>353</u>	<u>384</u>	<u>460</u>	<u>482</u>	<u>498</u>	N.A.
Fuels	Million dollars	14.5	17	23	26	28	37	44	47 b/	N.A.
Crude petroleum	Thousand tons	91.5	N.A.	N.A.	N.A.	412.4	463.2	544.9	537	630
Petroleum products	Thousand tons	254.8	N.A.	N.A.	N.A.	534.5	716.2	885.7	952	1,134
Materials for heavy industry	Million dollars	132.1	129	117	131	152	188	190	209 b/	N.A.
Iron ore	Thousand tons	1,617	N.A.	N.A.	N.A.	3,097	4,105	4,407	4,477	5,914
Manganese ore	Thousand tons	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	335 c/	412 c/	242
Rolled products	Thousand tons	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	146 c/	183 c/	290
Zinc concentrates	Thousand tons	69.2	N.A.	N.A.	N.A.	60.2	80.7	80.1	91.0	152
Copper	Thousand tons	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	13.5	9.0	9.6
Rubber	Thousand tons	12.6	N.A.	N.A.	N.A.	22.0	23.6	25.7	33.8	42.5
Materials for light industry	Million dollars	228	219	211	170	173	204	221	210 b/	N.A.
Cotton	Thousand tons	98.3	N.A.	N.A.	N.A.	82.5	93.8	95.2	85.8	121.4
Wool and tops	Thousand tons	15.4	N.A.	N.A.	N.A.	10.7	14.3	16.3	15.9	20.6
Cellulose	Thousand tons	36.1	N.A.	N.A.	N.A.	45.3	45.7	52.8	49.0	56.9
Jute	Thousand tons	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	18.1 c/	19.6 c/	23.1
Artificial fibers	Thousand tons	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	6.5 c/	7.6 c/	10.5
Raw hides	Thousand tons	26.3	N.A.	N.A.	N.A.	20.3	24.7	30.1	36.2	36.7

\* Footnotes for Table 23 follow on p. 59.



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Table 23

Polish Imports and Exports, by Group and Selected Commodity a/  
1949-57  
(Continued)

	Unit	1949	1950	1951	1952	1953	1954	1955	1956	1957
Materials for agriculture	Million dollars	18.6	23	33	26	31	32	27	27 b/	N.A.
Apatites and phosphorites	Thousand tons	387.3	N.A.	N.A.	N.A.	N.A.	462.2	427.8 c/	475.8 c/	440.7
Phosphorous fertilizers	Thousand tons		N.A.	N.A.	N.A.	N.A.		94.2 c/	153.1 c/	146.1
Potassium fertilizers	Thousand tons	381.0	N.A.	N.A.	N.A.	N.A.	558.3	613.9 c/	619.0 c/	732.5
Consumer goods	Million dollars	83	100	104	112	68	147	162	186	N.A.
Agricultural and food articles	Million dollars	60	65	61	81	48	117	121	127	N.A.
Grains	Thousand tons	167.0	N.A.	N.A.	N.A.	163.0	1,204.5	1,171.7 c/	1,120.7 c/	1,935.2
Tobacco	Thousand tons	4.8	N.A.	N.A.	N.A.	5.5	7.2	11.9	10.2	11.6
Oilseeds (fat content)	Thousand tons	12.3	N.A.	N.A.	N.A.	17.5	18.7	25.4	25.2	46.6
Rice	Thousand tons	2.3	N.A.	N.A.	N.A.	6.0	8.7	30.6	32.3	28.3
Tea	Thousand tons	0.6	N.A.	N.A.	N.A.	1.3	1.6	2.0	2.7	3.9
Coffee	Thousand tons	N.A.	N.A.	N.A.	N.A.	0.5	0.8	1.0	2.0	1.6
Industrial consumer goods	Million dollars	23	35	43	31	20	30	41	59	N.A.
Footwear	Thousand pairs	2,859	N.A.	N.A.	N.A.	488	635	1,050	1,418	1,077
Textiles	Thousand tons	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	21.9 c/	35.5 c/	N.A.
Total exports	Million dollars	652	735	691	693	785	882	920	965	N.A.
Machinery and equipment	Million dollars	14	49	51	75	102	97	120	134	N.A.
Machine tools	Million dollars	2	4 d/	4 d/	4 d/	6 d/	5 d/	5 d/	7 b/	N.A.

Table 23  
 Polish Imports and Exports, by Group and Selected Commodity a/  
 1949-57  
 (Continued)

	Unit	1949	1950	1951	1952	1953	1954	1955	1956	1957
Land transport equipment	Million dollars	5	36 d/	46 d/	57 d/	60 d/	55 d/	62 d/	64 b/	N.A.
Locomotives	Units	30	N.A.	N.A.	N.A.	242	259	237	232	243
Freight cars	Units	1,147	N.A.	N.A.	N.A.	5,438	2,701	2,792	2,204	2,997
Railroad passenger cars	Units		N.A.	N.A.	N.A.	307	265	277	312	485
"Warszawa" automobiles	Units		N.A.	N.A.	N.A.	N.A.	N.A.	1,538 c/	2,873	2,503
"Star" trucks	Units		N.A.	N.A.	N.A.	N.A.	N.A.	645 c/	682	447
Tractors	Units		N.A.	N.A.	N.A.	N.A.	N.A.	479 c/	1,830	576
Ships	Million dollars	3	5 d/	1 d/	13 d/	26 d/	26 d/	37 d/	38 b/	N.A.
Other	Million dollars	4	5	0	1	10	11	16	25	N.A.
Materials for production	Million dollars	486	498	476	453	478	558	590	628	N.A.
Coal and coke	Million dollars	356	361	342	328	329	415	428	355 b/	N.A.
Hard coal	Thousand tons	26,280	N.A.	N.A.	N.A.	24,235	24,235	24,146	19,187	13,400
Brown coal	Thousand tons	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4,058	4,503	4,117
Coke	Thousand tons	1,851	N.A.	N.A.	N.A.	1,821	1,927	2,240	2,283	1,900
Iron, steel, and zinc	Million dollars	57	59	59	58	68	64	73	106 b/	N.A.
Rolled products	Thousand tons	162.5	N.A.	N.A.	N.A.	204.8	194.6	224.9	466	559
Zinc and zinc sheets	Thousand tons	57.5	N.A.	N.A.	N.A.	111.7	88.2	96.4	96	97
Cement	Million dollars	6	6	5	5	7	6	8	7 b/	N.A.
	Thousand tons	506.6	N.A.	N.A.	N.A.	571.6	548.0	673.7	561	152
Wood and paper	Million dollars	29	32	31	26	35	37	34	30 b/	N.A.
Pulpwood	Thousand tons	N.A.	N.A.	N.A.	N.A.	351.5	423.5	492.2	440	287
Sawn wood	Thousand sq m	N.A.	N.A.	N.A.	N.A.	259.9	445.0	408.5	369.0	277.8

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Table 23  
 Polish Imports and Exports, by Group and Selected Commodity a/  
 1949-57  
 (Continued)

	Unit	1949	1950	1951	1952	1953	1954	1955	1956	1957
Other	Million dollars	38	40	40	36	39	36	47	130	N.A.
Consumer goods	Million dollars	<u>152</u>	<u>188</u>	<u>164</u>	<u>165</u>	<u>205</u>	<u>227</u>	<u>210</u>	<u>203</u>	N.A.
Agricultural and food articles	Million dollars	100	120	115	110	142	153	143	115	N.A.
Sugar	Thousand tons	184.5	N.A.	N.A.	N.A.	396.7	540.0	372.3	61	97.8
Meat and meat products	Thousand tons	26.0	N.A.	N.A.	N.A.	88.4	74.2	73.2	88	85
Eggs	Million units	198.9	N.A.	N.A.	N.A.	409.4	302.9	344.0	343	360
Salt	Thousand tons	112.8	N.A.	N.A.	N.A.	140.8	142.4	139.1	117	94.7
Potato starch	Thousand tons	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	56.2 <u>c/</u>	34.4	34.2
Industrial consumer goods	Million dollars	52	68	49	55	63	74	67	88	N.A.
Cotton fabrics	Thousand meters	50,485	N.A.	N.A.	N.A.	73,226	78,826	57,466	93,734	63,750
Wool fabrics	Thousand meters	5,877	N.A.	N.A.	N.A.	6,314	7,354	5,780	7,229	3,897
Linen fabrics	Thousand meters	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3,760 <u>c/</u>	7,107	5,337
Rayon fabrics	Thousand meters	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3,860 <u>c/</u>	6,822	3,803

a. 48/. Unless otherwise indicated. Calculated from data in foreign exchange rubles at an exchange rate of 4 rubles to US \$1. Totals were derived from unrounded data and may not agree with the sum of the rounded components.

b. Calculated by applying index numbers of the value of these categories in 1956 prices to absolute values in 1955 prices. 49/

c. 50/

d. Calculated from percentage distribution of total exports in these years. 51/

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Plans were set on a degree of detail far exceeding the knowledge of the government of economic events and relationships. Determination of the relative costs of alternative projects in particular was made especially difficult by the wide differences between selling prices and production costs. Not only did these prices, similar to those of other countries of the Soviet Bloc, exclude interest and rent, but also they were affected to varying degrees by heavy budgetary subsidies. One of the worst effects of this irrational price system was evident in foreign trade, where no adequate basis for judging the relative economic profitability of particular imports or exports existed. Another deleterious effect of the Stalinist system of planning and economic administration was its lack of flexibility in responding to unforeseen developments. Still another was the absence of criteria useful for investment policy. The motivations of plant managers, based on bonuses granted primarily for fulfilling production plans expressed in physical units or in largely artificial prewar prices, did not tend to rectify errors in the central plan but rather promoted production at any cost without regard for its eventual use. Consumer wants in particular were ignored.

Many of these factors are common to all countries of the Soviet Bloc, but the Soviet system of planning and management probably was applied much less efficiently in Poland than in the USSR and possibly in East Germany and Czechoslovakia.

The need for reforms was discussed widely late in 1955 and especially in 1956, but not until Gomulka returned did the government or the Party officially sanction these discussions, or were significant changes in the economic system permitted or even planned. An Economic Council headed by Professor Oscar Lange was formed in January 1957 to recommend reforms. Some of its proposals have been adopted and are being carried out; others are scheduled for 1959 and later.

The most important changes to date are those in the agricultural field. (See III, p. 19, above). These changes are expected to redress the failure of previous policy to increase agricultural production or to provide an adequate supply of food to urban areas and are an integral part of the "new economic model" outlined by the Council, but they were put into effect quite independently of its recommendations. Reforms in the industrial field, on the other hand, are a direct result of the activity of the Council. Those put into effect thus far constitute only first steps toward the ultimate model.

The reduction of the managerial apparatus of the state is an example. The number of industrial ministries has fallen from 21 in 1955 to 12 at the start of 1958, and, probably more important, a number of Central Boards, the immediate subordinate units of ministries, have been

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abolished.\* Although most medium and large industrial plants remain under direct control of the state, small plants have been placed increasingly under local administration. At the same time a significant growth of small private industry and crafts has been permitted, and in some areas given tangible encouragement with credits and materials, in an effort to improve the amount and quality of consumer goods and services and to stimulate the production of building materials for private construction. Employment in private industry and crafts rose from 139,000 at the end of 1956 to 194,000 in December 1957 (see Table 24\*\*), and private output of bricks (a particularly scarce item) rose from 3 million to 12 million.

Other reforms relate to the degree and nature of state planning, whether central or local. Production goals are set at conservative levels in relation to expected capabilities. The number and detail of targets have been reduced, including elimination of plans for sideline production except for a general estimate of its value. Enterprises have been permitted to set their own quarterly operational plans, many firms being at liberty to work out the details of the annual plan by direct agreement with suppliers and purchasers. Lastly, centralized allocations have been restricted to materials in short supply.

A significant step in the direction of reducing the area of state decision making in the investment field was taking place in 1958. Investment will be financed not only by budgetary allocations, depreciation allowances, and small amounts of retained profits but also from bank credits for projects to cost up to 5 million zlotys. Investments financed by credit are planned to increase rapidly after 1958. They are not to be subject to specific governmental approval but controlled by over-all allocations of credit.

Potentially a most important innovation has been introduced with respect to producers' incentives. Premiums for exceeding the profit plan or for reducing real unit costs below planned levels are now very much larger than those paid for simply overfulfilling the production plan. Profit-sharing schemes are intended to stimulate the interest of managers and workers in cost reduction and higher productivity, and there is evidence of the favorable effect of these plans in some plants. The regime undoubtedly will transfer this task to the expanded factory councils, which are replacing the now defunct workers' councils. Apart

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\* In 1959 the Central Boards are to be transformed into Industrial Associations in which managers of the enterprises will be represented. Ministries will retain only functions for broad planning, research, and control, most responsibilities for operating being vested in the Associations.

\*\* Table 24 follows on p. 62.

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Table 24

Nonagricultural Private Employment in Poland  
Selected Years, 1948-57

<u>Year</u>	<u>Private Industry and Handicraft</u>		<u>Private Trade</u>	
	<u>Thousand</u>	<u>Percent of Total Industry and Crafts</u>	<u>Thousand <sup>a/</sup></u>	<u>Percent of Total Trade</u>
1948 <sup>b/</sup>	422	22	204	53
1950	206 <sup>c/</sup>	9 <sup>d/</sup>	77	N.A.
1953	123 <sup>e/</sup>	5 <sup>d/</sup>	29	5 <sup>d/</sup>
1955	130 <sup>f/</sup>	5 <sup>d/</sup>	25	4 <sup>d/</sup>
1956	139 <sup>f/</sup>	4 <sup>f/</sup>	27	4 <sup>f/</sup>
1957	194 <sup>g/</sup>	6 <sup>h/</sup>	45	6 <sup>h/</sup>

a. Number of private shops multiplied by the average employment per shop in 1948. 52/

b. 53/

c. 54/

d. 55/

e. 56/

f. 57/

g. 58/

h. 59/

from this, the role of workers in management will probably be only a token one.

In general, however, none of the above reforms will be effective without really basic changes in the economic model for the industrial sector, and these require a considerable revamping of the price system; for where financial incentives are to be substituted for orders of the planners, prices on which these incentives are based must reflect the opportunity costs of all production factors not allocated by administrative discretion. Proposals have been made to include in prices interest charges for the use of fixed capital and rent for the use of natural resources in extractive industries, and to set prices of individual products at the level of unit costs in the least efficient plants producing them rather than at the present level of costs in average plants. The exact method of price setting, however, has not yet been established and probably will differ among types of industries. Changes in the system of prices paid to producers have been limited

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through 1957 to a progressive reduction of direct budgetary subsidies. A large portion of these were eliminated as a result of the large price increases of 1 January 1956.

Another aspect of the price structure which has not yet taken shape is the relation between prices for producer and consumer goods. If prices for producer goods are raised to account for the various elements of cost stated above (interest, rent, and the like), the gap, which takes primarily the form of turnover tax, insulating these prices from the market prices paid by consumers will be reduced and, in some cases, eliminated. Concurrently, the free market for consumer goods may be extended greatly to include the majority of products made by small-scale local and cooperative industry. It may then be possible for consumers to influence the production of these plants, and also, through derived demand and its effects on profits, to influence at least the production mix in industries supplying goods to them. Where consumer goods continue to be sold by state enterprises at controlled prices, more freedom than before would be accorded the managers of these trade enterprises to reject unwanted goods supplied by producers, thereby improving their own profit positions.

The major reforms of the producer and consumer price systems are not due to be applied until 1959-60. Polish planners hope that inflationary pressures will have been dispelled by that time.

Considerable attention is being devoted to the organization and methods of operation of foreign trade. Research has been initiated on the relative profitability of various types of exports from the standpoint of the economy as a whole. Prospective exporters will have to show that the net gain in foreign exchange obtained by producing and exporting a given product justifies the cost, on the basis of established norms, of domestic resources consumed in this production. There also appears to have been some loosening of central control over the details of trade contracts with foreign countries. Decisions as to the profitability of imports and exports, as well as of production for domestic use, however, cannot be made until the price system has been revised and would not be decentralized until then.

As can be seen from this description, the new Polish economic model is still embryonic. The most difficult problems are yet to be solved in creating incentives for independent actions which serve the goals of the state more efficiently than direct orders in certain areas. The line of demarcation most appropriate to the Polish political and economic situation is not drawn clearly between the area of direct administrative control and that of decentralized decision making. Nevertheless, significant steps are being taken to eliminate the worst inefficiencies of the old system and to permit a greater and more direct expression of consumer preferences than before.

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